Ontario

Treasury Board Secretariat

PUBLIC ACCOUNTS OF ONTARIO

Financial Statements of Government Organizations

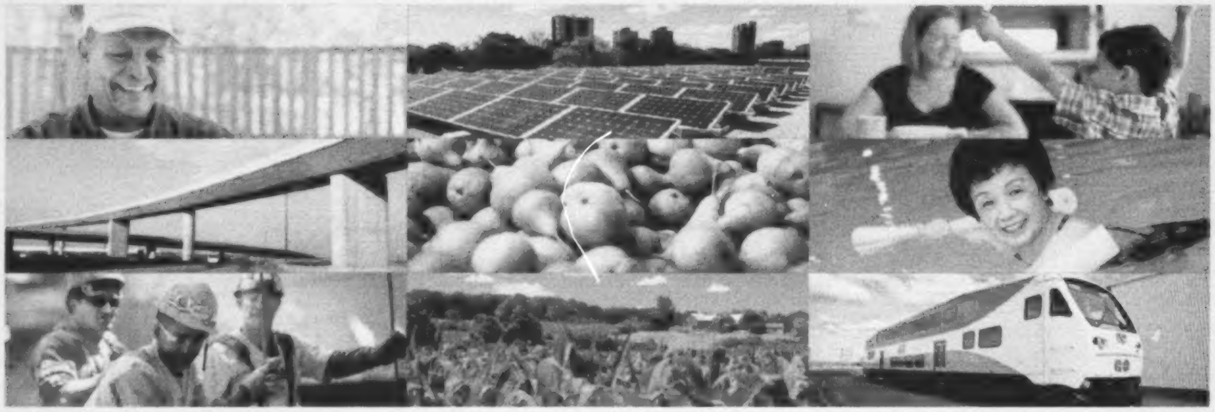
2014-2015

VOLUME 2B

Ontario

Treasury Board Secretariat

PUBLIC ACCOUNTS OF ONTARIO



Financial Statements of Government Organizations

2014-2015

VOLUME 2B

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RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES, ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS

Ministry of Agriculture and Food/Rural Affairs
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    Agricultural Research Institute of Ontario
    Ontario Racing Commission

Ministry of the Attorney General
    Legal Aid Ontario
    The Public Guardian and Trustee for the Province of Ontario

Ministry of Economic Development, Trade and Employment/Research and Innovation
    Ontario Capital Growth Corporation
    Ontario Immigrant Investor Corporation

Ministry of Education
    Education Quality and Accountability Office
    Ontario Educational Communications Authority (TV Ontario)
    Ontario French-Language Educational Communications Authority

Ministry of Energy
    Hydro One Inc.
    Independent Electricity System Operator
    Ontario Energy Board
    Ontario Power Authority
    Ontario Power Generation Inc.

Ministry of the Environment
    Ontario Clean Water Agency

Ministry of Finance
    Deposit Insurance Corporation of Ontario
    Liquor Control Board of Ontario
    Losses Deleted from the Accounts
    Motor Vehicle Accident Claims Fund
    Ontario Electricity Financial Corporation
    Ontario Financing Authority
    Ontario Lottery and Gaming Corporation
    Ontario Securities Commission
    Pension Benefits Guarantee Fund
    Provincial Judges Pension Fund
    Revenue Remissions

Ministry of Government Services
    Ontario Pension Board

Ministry of Infrastructure
    General Real Estate Portfolio
    Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)
    Toronto Waterfront Revitalization Corporation (Waterfront Toronto)

RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES, ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS

Ministry of Health and Long-Term Care
- Cancer Care Ontario
- eHealth Ontario
- Local Health Integration Network – Central
- Local Health Integration Network – Central East
- Local Health Integration Network – Central West
- Local Health Integration Network – Champlain
- Local Health Integration Network – Erie St. Clair
- Local Health Integration Network – Hamilton Niagara Haldimand Brant
- Local Health Integration Network – Mississauga Halton
- Local Health Integration Network – North East
- Local Health Integration Network – North Simcoe Muskoka
- Local Health Integration Network – North West
- Local Health Integration Network – South East
- Local Health Integration Network – South West
- Local Health Integration Network – Toronto Central
- Local Health Integration Network – Waterloo Wellington
- Ontario Agency for Health Protection and Promotion (Public Health Ontario)
- Ornge

Ministry of Labour
- Workplace Safety and Insurance Board

Ministry of Municipal Affairs and Housing
- Ontario Mortgage and Housing Corporation

Ministry of Natural Resources
- Algonquin Forestry Authority
- Forest Renewal Trust

Ministry of Northern Development and Mines
- Northern Ontario Heritage Fund Corporation
- Ontario Northland Transportation Commission

Ministry of Tourism, Culture and Sport
- The Centennial Centre of Science and Technology (Ontario Science Centre)
- Metropolitan Toronto Convention Centre Corporation
- Niagara Parks Commission
- Ontario Place Corporation
- Ontario Tourism Marketing Partnership Corporation
- Ontario Trillium Foundation
- Ottawa Convention Centre Corporation
- Province of Ontario Council for the Arts (Ontario Arts Council)
- The Royal Ontario Museum
- Toronto Organizing Committee for the 2015 Pan American and Parapan American Games (Toronto 2015)

Ministry of Transportation
- Metrolinx

A GUIDE TO THE PUBLIC ACCOUNTS

1. SCOPE OF THE PUBLIC ACCOUNTS

The 2014-2015 Public Accounts of the Province of Ontario comprise the **Annual Report and Consolidated Financial Statements** and three volumes:

Volume 1	contains ministry statements and detailed schedules of debt and other items. The ministry statements reflect the financial activities of the government's ministries on the accrual basis of accounting, providing a comparison of appropriations with actual spending. Ministry expenses include all expenses that are subject to appropriation approved by the Legislative Assembly, but exclude adjustments arising from consolidation of government organizations whose expenses are not appropriated.
Volume 2	contains the financial statements of Government Organizations and Business Enterprises that are part of the government's reporting entity and other miscellaneous financial statements.
Volume 3	contains the details of payments made by ministries to vendors (including sales tax) and transfer payment recipients that are not deemed to be prohibited by the *Freedom of Information and Protection of Privacy Act*.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 2014 to March 31, 2015. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

GOVERNMENT ORGANIZATIONS (CONT'D)

THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT
March 31, 2015

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The Financial statements have been audited by Grant Thornton LLP the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of management to discuss their audit and findings as to the integrity of the Commissions financial reporting.

John Lohuis
General Manager
June 19, 2015

Margaret Neubauer
Senior Director, Corporate Services
June 19, 2015

Grant Thornton

Independent auditor's report

Grant Thornton LLP
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www.GrantThornton.ca

To The Niagara Parks Commission,
the Minister of Tourism, Culture and Sport and the Auditor General

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, accumulated surplus, changes in net debt and cash flows for the seventeen months then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Grant Thornton

Opinion

In our opinion, the financial statements of The Niagara Parks Commission for the seventeen months ended March 31, 2015 are prepared, in all material respects, in accordance with the basis of accounting described in Note 2 to the financial statements.

Emphasis of matters

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes the basis of accounting used in the preparation of these financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

We draw attention to Note 2 to the financial statements which describes the correction in the current period of an error in the prior period.

Grant Thornton LLP

Port Colborne, Canada
June 19, 2015

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission
Statement of Financial Position
As at March 31, 2015

(in thousands of dollars)		2015		October 31 2013 (As restated) (Note 2)
Financial assets				
Cash and cash equivalents	$	322	$	5,654
Accounts receivable		1,436		3,579
Inventories – saleable		3,889		3,282
		5,647		12,515
Liabilities				
Bank indebtedness (Note 3)		9,306		-
Accounts payable		6,977		7,866
Accrued payroll		2,589		2,834
Deferred revenue (Note 4)		1,419		1,370
Deferred capital funding (Note 5)		26,436		23,435
Long term financing (Note 6)		30,072		31,971
Post-employment benefits (Note 7)		3,697		4,105
Power plant stabilization obligation (Note 8)		28,837		28,087
		109,333		99,668
Net debt		(103,686)		(87,153)
Non-financial assets				
Tangible capital assets (Note 9 and Page 22)		186,875		158,486
Inventories – other		1,476		1,312
Prepaid expenses		673		183
		189,024		159,981
Accumulated surplus (Note 10)	$	85,338	$	72,828

Commitments and contingencies (Notes 11 and 12)

On behalf of the Commission

Janice Thomson

Chair

Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Operations
For the seventeen months ended March 31, 2015

(in thousands of dollars)	Budget 2015	Actual 2015	Actual Year ended October 31 2013 (As restated) (Note 2)
Revenues			
Revenue producing operations	$ 69,972	$ 71,971	$ 66,621
Land rent	9,541	9,660	6,678
Commission, rentals and fees	12,671	12,780	2,867
Premium on United States funds – net	76	806	226
Sundry revenue	27	18	120
	92,287	95,235	76,512
Expenses (Page 23)			
Revenue producing operations			
Cost of goods sold	11,970	12,398	11,087
Operating	43,435	44,310	33,239
Maintenance	19,711	20,404	14,158
Administrative and police	18,829	18,881	10,668
Marketing and promotion	4,898	3,962	3,208
	98,843	99,955	72,360
Net (deficit) surplus for the period before undernoted items	(6,556)	(4,720)	4,152
Other items			
Interest expense – net (Note 13)	2,407	2,352	1,660
Amortization of tangible capital assets (Note 14)	11,786	11,577	7,755
Amortization of deferred capital funding (Note 5)	(1,850)	(1,963)	(712)
(Gain) loss on disposal of tangible capital assets	-	(24)	460
Contributed assets	-	-	(236)
	12,343	11,942	8,927
Net deficit from operations	(18,899)	(16,662)	(4,775)
Net increase in power plant stabilization obligation (Note 8)	(925)	(750)	(590)
Other capital funding (costs)	(600)	(78)	57
Annual deficit	$ (20,424)	$ (17,490)	$ (5,308)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Accumulated Surplus

For the seventeen months ended March 31, 2015

(in thousands of dollars)	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013 (As restated) (Note 2)
Accumulated surplus (Note 10)			
Beginning of period			
As previously reported	$ 72,828	**$ 73,673**	$ 78,136
Prior period adjustment (Note 2)	-	**(845)**	-
As restated	72,828	**72,828**	78,136
Annual deficit	(20,424)	**(17,490)**	(5,308)
End of period	$ 52,404	**$ 55,338**	$ 72,828

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Changes in Net Debt
For the seventeen months ended March 31, 2015

(in thousands of dollars)	Budget 2015	**Actual 2015**	Actual Year ended October 31 2013 (As restated) (Note 2)
Annual deficit	$ (20,424)	**$ (17,490)**	$ (5,308)
Amortization of tangible capital assets	11,786	**11,577**	7,755
Purchase of tangible capital assets (Note 15)	(7,882)	**(7,569)**	(16,560)
Contributed tangible capital assets	(2,197)	**(2,197)**	(849)
Proceeds from the sale of tangible capital assets	-	**24**	57
(Gain) loss on sale of tangible capital assets – net	-	**(24)**	460
	(18,717)	**(15,679)**	(14,445)
(Acquisition) use of prepaid expenses	-	**(690)**	84
Acquisition of other inventories	-	**(164)**	(241)
Increase in net debt	(18,717)	**(16,533)**	(14,602)
Net debt			
Beginning of period	(87,153)	**(87,153)**	(72,551)
End of period	$ (105,870)	**$ (103,686)**	$ (87,153)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Cash Flows
For the seventeen months ended March 31, 2015

(in thousands of dollars)	2015	Year ended October 31 2013 (As restated) (Note 2)
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual deficit	$ (17,490)	$ (5,308)
Charges against income not requiring an outlay of funds		
Amortization of tangible capital assets	11,577	7,755
Amortization of deferred capital funding	(1,963)	(712)
(Gain) loss on disposal of tangible capital assets – net	(24)	460
Post-employment benefits	62	411
Increase in power plant stabilization obligation – net	750	590
	(7,088)	3,196
Net change in non-cash working capital balances related to operations (Note 16)	(404)	384
	(7,492)	3,580
Capital activities		
Purchase of tangible capital assets (Note 15)	(7,569)	(16,560)
Contributed tangible capital assets	(2,197)	(849)
Proceeds from sale of tangible capital assets	24	57
	(9,742)	(17,352)
Financing activities		
Repayment of long term financing	(1,899)	(1,705)
Payment of post-employment benefits	(470)	(239)
Receipt of capital funding	4,966	11,260
	2,597	9,316
Net decrease in cash and cash equivalents	(14,637)	(4,456)
Cash and cash equivalents (Note 16)		
Beginning of period	5,654	10,110
End of period	$ (8,983)	$ 5,654

See accompanying notes to the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements

For the seventeen months ended March 31, 2015

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

The Commission has changed its fiscal year end to March 31 effective in 2015. Therefore, current period figures report amounts for the seventeen months ended March 31, 2015 and comparative figures report the amounts for the twelve months ended October 31, 2013.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with the financial reporting provisions of the Ontario Financial Administration Act, Ontario Ministry of Tourism Memorandum of Understanding and the accounting requirements of Regulation 395/11 of the Ontario Financial Administration Act. The Ontario Ministry of Tourism Memorandum of Understanding requires that the financial statements be prepared in accordance with the Canadian public sector accounting standards. The Ontario Financial Administration Act provides that changes may be required to the application of these standards as a result of regulation.

Regulation 395/11 to the Ontario Financial Administration Act requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the Statement of Operations at a rate equal to amortization charged on the related depreciable tangible capital assets. These contributions include government transfers and externally restricted contributions.

The accounting requirement under Regulation 395/11 is not consistent with the requirements of Canadian public sector accounting standards which requires that:

- government transfers be recognized as revenue when approved by the transferor and the eligibility criteria have been met unless the transfer contains a stipulation that creates a liability, in which case the transfer is recognized as revenue over the period that the liability is extinguished in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

As a result revenue recognized in the Statement of Operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

2. **Significant accounting policies** (continued)

Basis of accounting (continued)

The financial statements as at October 31, 2013 and for the year ended October 31, 2013 were prepared under a special purpose fair presentation framework. The Ministry of Finance released Regulation 395/11, Accounting Policies and Practices, in the fall of 2011. On November 1, 2013, the Commission adopted the Standards described above. These are the first financial statements prepared in accordance with the financial reporting provisions of the Ontario Financial Administration Act, Ontario Ministry of Tourism Memorandum of Understanding and the accounting requirements of Regulation 395/11 of the Ontario Financial Administration Act. The Commission has adopted these changes retrospectively. There are no changes to accumulated surplus at October 31, 2013 or annual surplus for the year ended October 31, 2013 as a result of this transition. However, in 2015 management became aware of an error in the recording of contributed tangible capital assets in 2013. Contributed tangible capital assets in the amount of $ 849,000 received in 2013 were reported as other revenue on the Statement of Operations and were not deferred and amortized. The correction of this error has been presented by retrospectively restating the comparative figures as follows:

	Increase (decrease)
Deferred capital funding	$ 845,000
Amortization of deferred capital funding	4,000
Annual deficit	845,000
Accumulated surplus, beginning of period	(845,000)

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than three months.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. Works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

2. **Significant accounting policies** (continued)

Tangible capital assets (continued)

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Classification	Useful Life
Land improvements, buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes and contributed tangible capital assets are recorded as a liability, referred to as deferred capital funding, and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Post-employment benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

2. Significant accounting policies (continued)

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the Statement of Financial Position date. Gains and losses on translation are reflected in the annual surplus/deficit.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Two areas in which estimates are used are with regards to post-employment benefits and the power plant stabilization obligation.

3. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000, provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on March 31, 2016. As at March 31, 2015 $ 8,654,257 has been drawn upon for all credit facilities (2013 – $ Nil). Taking into account outstanding cheques and deposits, the balance reported on the Statement of Financial Position is $ 9,305,011 (2013 - $ Nil).

4. Deferred revenue

	2015	Year ended October 31 2013
	(in thousands of dollars)	
Defunct power stations (Note 8)	**$ 116**	$ 215
Sale proceeds related to Fort Erie land transaction	**322**	492
Other	**980**	663
	$ 1,418	$ 1,370

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

4. Deferred revenue (continued)

The net proceeds were recorded as part of deferred revenue on the Statement of Financial Position. To date approximately $ 982,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 has been spent on the Jarvis Street property maintenance. As of March 31, 2015, approximately $ 322,000 remains for use in 2016 and beyond.

5. Deferred capital funding

	2015	Year ended October 31 2013 (As restated) (Note 2)
	(in thousands of dollars)	
Deferred capital funding		
Beginning of period	$ 23,435	$ 12,887
Received during period for the following capital projects:		
Incline railway replacement	-	3,000
Road resurfacing	-	2,000
Bridge rehabilitation	-	3,939
Other capital projects	2,769	1,472
Contributed assets	2,197	849
	4,966	11,260
Amortization	(1,963)	(712)
End of period	$ 26,438	$ 23,435

6. Long term financing

	2015	Year ended October 31 2013
	(in thousands of dollars)	
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.08% through to April, 2027	$ 24,787	$ 26,107
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	5,183	5,754
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 3)	102	110
	$ 30,072	$ 31,971

The Niagara Parks Commission
Notes to the Financial Statements

For the seventeen months ended March 31, 2015

6. Long term financing (continued)

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2016	$ 1,695
2017	1,772
2018	1,861
2019	1,955
2020	2,054

7. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full time service provided to the Commission to a maximum of twenty-six weeks. The accrued benefit liability as at March 31, 2015 is $ 3,696,673 (2013 - $ 4,105,056).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the seventeen months ended March 31, 2015 with extrapolations for 2016. The latest valuation reflects approved changes by the Commission regarding eligibility and maximum amounts of the benefit payable upon termination.

As a result of an actuarial valuation conducted in 2015 for the seventeen months ended March 31, 2015, it was determined that an actuarial gain of $ 1,253,061 existed. The actual obligation as at March 31, 2015 is $ 2,591,542 (2013 - $ 3,964,172).

Defined benefit plan information	2015	Year ended October 31 2013
	(in thousands of dollars)	
Employee benefit plan assets	$ Nil	$ Nil
Employee benefit plan liabilities	3,697	4,105
Employee benefit plan deficit	$ 3,697	$ 4,105
Benefit obligation recognized on the Statement of Financial Position		
Benefit obligation, beginning of period	$ 4,105	$ 3,933
Decrease due to plan amendment	(246)	-
Expense for the period	308	411
Benefits paid during the period	(470)	(239)
Benefit obligation, end of period	$ 3,697	$ 4,105

The Niagara Parks Commission
Notes to the Financial Statements

For the seventeen months ended March 31, 2015

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7. Post-employment benefits (continued)

	2015	Year ended October 31 2013
	(in thousands of dollars)	
The net benefit expense is as follows:		
Current service cost	$ 278	$ 222
Interest cost	181	189
Amortization of actuarial gain	(148)	-
	$ 308	$ 411

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (discount) rate – the accrued obligation and the expense for the period were determined using a discount rate of 4.75%.

Salary levels – future salary and wage levels were assumed to increase at 2% per annum.

These assumptions were reviewed in this current period.

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of $ 3,016,420 (2013 - $ 2,160,074), of which $ 1,508,210 (2013 - $ 1,080,037) represents the employees' portion, are included in the administrative and police expense on the Statement of Operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the Statement of Operations.

The Niagara Parks Commission
Notes to the Financial Statements

For the seventeen months ended March 31, 2015

6. Power plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Government Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these power generating stations will require a significant infusion of funds that is beyond its capacity to meet. As at March 31, 2015, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

An asset retirement obligation of $ 25,148,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on an engineer report. The report also identified contingency costs of approximately $ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. The original estimate assumed that the work may commence in 2016. Should this not be the case the net present value of the liability will have to be recalculated in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 23,724,081 as at March 31, 2015. This is an increase of $ 676,354 from 2013 and has been recorded in the Statement of Operations.

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

6. Power plant stabilization obligation (continued)

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report identified an additional $ 6,305,000 for external/infrastructure work that is required. The second study identified an additional $ 1,280,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of $ 7,585,000. As previously mentioned it is estimated this work will not commence until 2018 and correspondingly another calculation for the net present value of this additional liability was preformed using a cost of capital of 5.039% and inflation rate of 2%, respectively. This results in net present value of $ 7,038,879 as at March 31, 2015 for this portion of the liability. This is an increase of $ 294,796 from 2013 and has also been recorded in the Statement of Operations.

		Year ended October 31
	2015	2013
	(in thousands of dollars)	
Power plant stabilization obligation		
Beginning of period	$ 28,087	$ 27,497
Current period increase in present value of original obligation	871	665
Actual work performed during period	(221)	(75)
Net increase in power plant stabilization obligation	650	590
End of period	$ 28,737	$ 28,087

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,292,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately $ 118,000 of this funding remains for use in 2016 and beyond. The actual work performed in 2015 was funded from other grants received from the Province.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the Statement of Operations and are included in the maintenance expense.

Subsequent to March 31, 2015, the Commission engaged the services of The Vertex Group Inc. to review existing studies in order to update the requirements necessary to bring the power plants to a development ready state. This process is expected to be completed in late 2015 and the Power Plant Stabilization Obligation will be updated as necessary.

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

9. Tangible capital assets

	Cost	Accumulated Depreciation	2015 Net Book Value	Year ended October 31 2013 Net Book Value
			(in thousands of dollars)	
Land	$ 14,359	$ -	**$ 14,359**	$ 14,359
Land improvements	17,135	-	**17,135**	17,135
Buildings, roadways and structures	227,117	107,812	**119,305**	115,697
Equipment and furnishings	41,388	37,019	**4,369**	4,959
Vehicles	3,864	3,077	**787**	697
	303,863	147,908	**155,955**	152,847
Capital works in progress	720	-	**720**	5,639
	$ 304,583	$ 147,908	**$ 156,675**	$ 158,486
Equipment under capital lease included above	$ 69	$ 49	**$ 20**	$ 27

10. Accumulated surplus

	2015	Year ended October 31 2013 (As restated) (Note 2)
	(in thousands of dollars)	
Operating (deficit) surplus	**$ (12,292)**	$ 1,940
Investment in tangible capital assets	**130,237**	135,051
Unfunded		
Long term debt	**(30,073)**	(31,971)
Post-employment benefits	**(3,697)**	(4,105)
Power plant stabilization obligation	**(28,837)**	(28,087)
	(62,607)	(64,163)
Accumulated surplus	**$ 55,338**	$ 72,828

Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund. As of March 31, 2015 no surplus moneys have been recorded as a liability to the Minister of Finance.

The Niagara Parks Commission
Notes to the Financial Statements

For the seventeen months ended March 31, 2015

11. Commitments

The Commission has committed to approximately $ 560,000 in capital works projects in the next year.

The Commission has two agreements with a franchisor requiring the payment of service fees of 4% of gross sales and advertising and marketing fees of 2.5% of gross sales. The terms of the agreements are 10 years, expiring in 2016 and 2022.

The Commission leases vehicles, equipment and premises under operating leases expiring in 2017. The total obligation under operating leases amounts to approximately $ 190,000. Lease payments due in the next three fiscal periods are as follows:

2016	$ 172
2017	9
2018	9

12. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

13. Interest expense – net

	Budget 2015	Actual 2015	Actual Year ended October 31 2013
		(in thousands of dollars)	
Interest revenue	$ (20)	$ (29)	$ (43)
Loan interest expense	2,427	2,381	1,703
	$ 2,407	$ 2,352	$ 1,660

14. Amortization of tangible capital assets

	Budget 2015	Actual 2015	Actual Year ended October 31 2013
		(in thousands of dollars)	
Amortization of income producing assets	$ 6,661	$ 6,342	$ 4,432
Amortization of non-income producing assets	5,125	5,235	3,323
	$ 11,786	$ 11,577	$ 7,755

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

15. Acquisition of tangible capital assets

During the period, tangible capital assets were acquired at an aggregate cost of $ 9,766,221 (2013 - $ 16,560,754) of which $ 2,197,416 (2013 - $ 849,220) was acquired by means of contributed assets. Cash payments of $ 7,568,805 (2013 - $ 15,711,534) were made to purchase tangible capital assets.

16. Statement of cash flows

	2015	Year ended October 31 2013
	(in thousands of dollars)	
Changes in working capital components include		
Accounts receivable	$ 2,143	$ (1,675)
Inventories – saleable and other	(771)	60
Accounts payable and accrued payroll	(1,134)	1,941
Deferred revenue	48	(26)
Prepaid expenses	(690)	84
	$ (404)	$ 384
Cash and cash equivalents consist of:		
Cash on hand	$ 322	$ 380
(Bank indebtedness) cash held in banks	(9,305)	5,274
	$ (8,983)	$ 5,654
Interest received	$ 29	$ 43
Interest paid	$ 2,381	$ 1,703

17. Financial instruments and risk management

Fair value

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 7 to the financial statements.

The fair value of the power plant stabilization obligation was determined using a present value calculation presented in Note 8 to the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements
For the seventeen months ended March 31, 2015

17. Financial instruments and risk management (continued)

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of $ 388,681 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ 1.2683 Canadian. The Commission realized approximately 10% of its sales in foreign currency in 2015 (2013 – 12.5%). Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

18. Comparative figures

Certain 2013 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2015.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Responsibility for Financial Reporting

The accompanying financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC) have been prepared in accordance with Canadian public sector accounting standards, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 11, 2015.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of members who are not employees/officers of NOHFC generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

D. Bruce Strapp
Executive Director
NOHFC

Susan Richichi, CPA, CA
Manager Financial Services
NOHFC

Jocelyn Ouellet, CPA, CMA
Senior Financial Consultant
NOHFC

John Barbeau
Manager Program and Services (A)
NOHFC

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Independent Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the accompanying financial statements of the Northern Ontario Heritage Fund Corporation, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Ontario Heritage Fund Corporation as at March 31, 2015, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 11, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

($000s)	2015	2014
Financial Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 263,932	$ 237,926
Accrued interest	1,268	1,488
Loans receivable (note 4)	45,547	63,126
	310,747	302,540
Financial Liabilities		
Accounts payable and accrued liabilities (note 5)	15,176	2,338
Net financial assets	295,571	300,202
Non-Financial Assets		
Tangible capital assets (note 6)	12	16
Commitments (note 9)		
Net investment by the Province of Ontario	$ 295,583	$ 300,218

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Co-Chair

_______________ Co-Chair

_______________ Executive Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

($000s)	Budget 2015	2015	2014
Revenue:			
Province of Ontario grant	$ 100,000	$ 100,000	$ 100,000
Interest on cash and cash equivalents	2,205	2,770	2,502
Interest on loans receivable	2,114	1,727	2,873
Recoveries	-	676	561
	104,319	105,173	105,936
Expenses:			
Conditional contributions	84,622	77,250	69,751
Credit losses (note 7)	9,018	25,904	11,627
Administration (note 8)	8,047	6,654	6,191
	101,687	109,808	87,569
Excess (deficiency) of revenue over expenses	$ 2,632	(4,635)	18,367
Net investment by the Province of Ontario, beginning of year		300,218	281,851
Net investment by the Province of Ontario, end of year		$ 295,583	$ 300,218

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Changes in Net Financial Assets

Year ended March 31, 2015, with comparative information for 2014

($000s)	2015	2014
Excess (deficiency) of revenue over expenses	$ (4,635)	$ 18,367
Amortization of capital assets	4	4
Increase (decrease) in net financial assets	(4,631)	18,371
Net financial assets beginning of year	300,202	281,831
Net financial assets, end of year	$ 295,571	$ 300,202

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows

Year ended March 31, 2015 with comparative information for 2014

($000s)	2015	2014
Lending, investing and financial assistance activities:		
Loan disbursements	$ (18,061)	$ (19,310)
Loan repayments and recoveries	10,473	12,018
Conditional contributions	(65,196)	(68,278)
Interest received on loans receivable	2,204	2,076
Other revenue	12	302
	(70,568)	(73,192)
Financing activities:		
Cash contributions from the Province for lending and financial assistance activities	100,000	100,000
Operating activities:		
Amortization	(4)	(4)
Interest received on cash and cash equivalents	2,465	2,097
Administration costs	(5,887)	(6,476)
	(3,426)	(4,383)
Net increase in cash and cash equivalents	26,006	22,425
Cash and cash equivalents, beginning of year	237,926	215,501
Cash and cash equivalents, end of year	$ 263,932	$ 237,926

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

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1. Nature of the business:

The Northern Ontario Heritage Fund Corporation (the "Corporation") was established, without share capital, on June 1, 1988 under the Northern Ontario Heritage Fund Act. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, and incentive term loans. As an Ontario Crown agency, the Corporation is exempt from federal and provincial income taxes under the Income Tax Act (Canada).

The Corporation partners with communities, businesses and entrepreneurs across Northern Ontario to create jobs and strengthen the Northern economy. The Corporation delivers five targeted programs as follows: Strategic Economic Infrastructure Program, Northern Community Capacity Building Program, Northern Innovation Program, Northern Business Opportunity Program, and Northern Ontario Internship Program.

2. Significant accounting policies:

The significant accounting policies used to prepare these financial statements are summarized below:

(a) Basis of accounting:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) Transactions with the Province of Ontario:

The Province of Ontario contributes funds to finance the lending and financial assistance activities. The net investment by the Province of Ontario is increased (reduced) by the excess (deficiency) of revenue over expenses.

(c) Cash and cash equivalents:

Cash and cash equivalents consist primarily of funds on deposit in chartered banks and short-term investments on deposit with the Ontario Financing Authority, a related party.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

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2. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments obtained in arm's-length transactions are initially measured at their fair value. Interest free loans are discounted to fair value when initially recorded. Financial instruments are subsequently measured in one of the following categories (i) fair value or (ii) cost or amortized cost. The Corporation uses fair value for the subsequent measurement of cash and cash equivalents. The Corporation uses amortized cost for the subsequent measurement of loans receivable and accounts payable and accrued liabilities.

(e) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to the acquisition or betterment of the asset.

The cost, less residual value of the tangible capital asset, is amortized on a straight line basis over their estimated useful lives as follows:

	Years
Automotive	7

(f) Provision for credit losses:

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and a general provision on the remaining loans and is deducted from loans receivable.

The amounts written off and written down in the year and changes in provisions, are charged to credit losses in the Statement of Operations. Recoveries reflect Funds received during the year from loans provided for in a prior year are recorded as recoveries on the Statement of Operations.

(g) Revenue recognition:

Government grants are recognized when receivable, amounts are determinable and collectability is assured. Interest income is recognized on the accrual basis. Interest revenue on loans receivable is recognized in the financial statements in an amount estimated to be recoverable. Interest revenue ceases to be recognized on fully impaired loans.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

2. Significant accounting policies (continued):

(h) Conditional contributions and forgivable loans:

The Corporation expenses conditional contributions and forgivable performance loans when disbursed. Approved commitments are not recognized in the financial statements until the conditions of the funding have been met by the recipients.

(i) Use of estimates:

Preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates include the provision for credit losses and the loan discount.

3. Cash and cash equivalents:

The Northern Ontario Heritage Fund Act restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

($000's)	2015	2014
Cash	$ 66,132	$ 75,998
Short-term investments	197,800	161,928
	$ 263,932	$ 237,926

Short-term investments consist of Treasury Bills (maturing within 365 days) which yielded 0.88% on average (2014 – 1.03%). All Treasury Bills are redeemable on demand.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

4. Loans receivable:

($000s)	2015	2014
Current	$ 6,824	$ 7,305
Long-term	79,819	83,679
Loans in arrears and default	15,900	15,592
Provision for credit losses	(56,650)	(43,002)
Loan discount	(346)	(448)
	$ 45,547	$ 63,126

Generally, loans bear fixed interest rates ranging from 0% to 8.7% and are fully repayable within 20 years from the date disbursed.

The changes in the provision for credit losses are as follows:

($000s)	2015	2014
Balance, beginning of year	$ 43,002	$ 31,941
Loans written off in the year	(11,621)	(306)
Change in loan provision	25,269	11,367
Balance, end of year	$ 56,650	$ 43,002

The change in the loan discount balances are as follows:

($000s)	2015	2014
Balance, beginning of year	$ 448	$ 1,046
Amount of loan discount charged/written down	(52)	2
Amount amortized to interest on loans receivable	(50)	(600)
Balance, end of year	$ 346	$ 448

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

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5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities relate largely to normal business transactions with recipients, in accordance with conditional grant agreements and intercompany balance between the Ministry and the Corporation.

6. Tangible capital assets:

($000s)	2015	2014
Cost		
Opening	$ 26	$ 26
Additions	–	–
Closing	26	26
Accumulated amortization:		
Opening	10	6
Amortization	4	4
Closing	14	10
Net book value, end of year	$ 12	$ 16

7. Credit losses:

Credit losses shown in the Statement of Operations are as follows:

($000s)	2015	2014
Loans written off in the year	$ 11,621	$ 306
Less: amounts provided for in previous years	(11,119)	(125)
Closing	502	181
Changes in provision on active loans	25,432	11,446
Change in credit loss provision	25,934	11,627
Discount adjustment	(30)	-
Credit losses	$ 25,904	$ 11,627

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

Year ended March 31, 2015

8. Administration expenses:

Details of administration expenses in the year are as follows:

($000s)	Budget 2015	2015	2014
Salaries, wages and benefits	$ 1,887	$ 1,685	$ 1,688
Transportation and communications	222	237	371
Services	3,627	1,381	1,623
Management fees	2,244	3,293	2,303
Marketing	–	8	120
Supplies and equipment	67	34	60
Financial information system	–	12	22
Amortization on tangible capital assets	–	4	4
	$ 8,047	$ 6,654	$ 6,191

The Ministry of Government Services provides pension benefits for all of the Corporation's permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. The costs of the pension plans, and other post-retirement non-pension benefits provided to eligible staff are paid by the Ministry and are not included in these financial statements.

9. Commitments:

Funds committed but not disbursed as at March 31, 2015 are $185,735,628 (2014 – $197,773,924).

10. Budgeted figures:

Budgeted figures approved by the Board of the Corporation have been provided for comparison purposes.

11. Financial instruments:

Effective April 1, 2012, the Corporation adopted the new Public Sector Handbook Standard 3450 – Financial Instruments, which requires all financial instruments to be valued at fair value, cost or amortized cost. The standard provides comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments. The Corporation's financial instruments consist of cash and cash equivalents, loans receivable and accounts payable and accrued liabilities. The adoption of this standard did not have a financial impact on the financial statements of the Corporation.

The main risks that the Corporation's financial instruments are exposed to are credit risk, liquidity risk, and market risk.

(a) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. The Corporation provides credit to its loan portfolio clients in the normal course of operations. To mitigate the risk, the Corporation screens loan applicants, registers security on the loans and maintains provisions for contingent credit losses.

(b) Liquidity risk:

The Corporation's exposure to liquidity risk is low as cash and cash equivalents exceed the current commitments. The Corporation mitigates this risk by monitoring cash activities and expected outflows.

(c) Market risk:

Market risk is comprised of currency risk, interest rate risk and other price risk. The Corporation does not conduct any transactions that are denominated in foreign currency. The Corporation's loans receivable bear fixed interest rates. The Corporation's cash and cash equivalents balance includes Treasury Bills where market value is close to cost, so market risk is low.

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

Public Health Ontario
PARTNERS FOR HEALTH
Santé publique Ontario
PARTENAIRES POUR LA SANTÉ

MANAGEMENT RESPONSIBILITY REPORT

Public Health Ontario management is responsible for preparing the accompanying financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

In preparing these financial statements management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

Public Health Ontario maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with Public Health Ontario policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit & Finance Standing Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Ernst & Young LLP has full and free access to the Audit & Finance Standing Committee.

Management acknowledges its responsibility to provide financial information that is representative of Public Health Ontario operations, is consistent and reliable, and is relevant for the informed evaluation of Public Health Ontario activities.

Stephen D'Arcy, CPA, CA
Chief Financial Officer

Peter Donnelly
President and Chief Executive Officer

June 23, 2015

480 University Avenue, Suite 300, Toronto, ON M5G 1V2 OFFICE 647 260 7100 FAX 647 260 7600 www.publichealthontario.ca
480, avenue University, Toronto, ON M5G 1V2 BUREAU 647 260 7100 TÉLÉCOPIEUR 647 260 7600 www.publichealthontario.ca

Ontario
Agency for Health Protection and Promotion
Agence de protection et de promotion de la santé

INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Agency for Health Protection and Promotion

We have audited the accompanying financial statements of **Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]**, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]** as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 23, 2015

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31

	2015 $	2014 $
ASSETS		
Current		
Cash	**25,128**	29,906
Accounts receivable *[note 3]*	**15,317**	4,262
Prepaid expenses	**2,052**	2,194
Total current assets	**42,497**	36,362
Restricted cash *[note 4]*	**8,914**	9,079
Capital assets, net *[notes 5 and 6]*	**101,895**	23,899
	153,306	69,340
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	**39,224**	34,170
Total current liabilities	**39,224**	34,170
Deferred capital asset contributions *[note 6]*	**104,252**	25,961
Deferred contributions *[note 7]*	**2,417**	2,426
Accrued benefit liability *[note 8]*	**4,974**	5,224
Other liabilities	**2,439**	1,559
Total liabilities	**153,306**	69,340
Commitments and contingencies *[note 11]*		
Net assets	**—**	—
	153,306	69,340

See accompanying notes

On behalf of the Board:

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31

	2015 $	2014 $
REVENUE		
Ministry of Health and Long-Term Care		
Base operations	**151,669**	140,849
Health Promotion Resource Centre	**3,573**	3,573
Amortization of deferred capital asset contributions *[note 6]*	**5,613**	5,135
Other grants	**1,854**	1,563
Miscellaneous recoveries	**1,663**	1,625
	164,372	152,745
EXPENSES *[note 8]*		
Public health laboratory program	**108,132**	95,704
Science and public health programs	**39,511**	39,919
General and administration *[note 9]*	**11,116**	11,987
Amortization of capital assets	**5,613**	5,135
	164,372	152,745
Excess of revenue over expenses for the year	**—**	—
Net assets, beginning of year	**—**	—
Net assets, end of year	**—**	—

See accompanying notes

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2015 $	2014 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	—	—
Add (deduct) items not affecting cash		
Amortization of deferred capital asset contributions	(5,613)	(5,135)
Amortization of capital assets	5,613	5,135
	—	—
Changes in non-cash operating items		
Increase in accounts receivable *[note 10]*	(1,454)	(1,206)
Decrease (increase) in prepaid expenses	142	(526)
Decrease in restricted cash	165	298
Increase (decrease) in deferred contributions	(9)	1,173
Increase (decrease) in other liabilities	880	(217)
Increase (decrease) in accounts payable and accrued liabilities *[note 10]*	(3,993)	336
Net change in accrued benefit liability	(250)	(330)
Cash used in operating activities	(4,519)	(472)
CAPITAL ACTIVITIES		
Acquisition of capital assets *[note 10]*	(74,562)	(8,754)
Cash used in capital activities	(74,562)	(8,754)
FINANCING ACTIVITIES		
Contributions for capital asset purchases *[note 10]*	74,303	12,578
Cash provided by financing activities	74,303	12,578
Net increase (decrease) in cash during the year	(4,778)	3,352
Cash, beginning of year	29,906	26,554
Cash, end of year	25,128	29,906

See accompanying notes

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

1. DESCRIPTION OF THE ORGANIZATION

Ontario Agency for Health Protection and Promotion ["OAHPP"] [operating as Public Health Ontario] was established under the Ontario Agency for Health Protection and Promotion Act, 2007 as a corporation without share capital. OAHPP's mandate is to enhance the protection and promotion of the health of Ontarians, contribute to efforts to reduce health inequities, provide scientific and technical advice and support to those working across sectors to protect and improve the health of Ontarians and to carry out and support activities such as population health assessment, public health research, surveillance, epidemiology, planning and evaluation.

Under the Ontario Agency for Health Protection and Promotion Act, 2007, OAHPP is primarily funded by the Province of Ontario.

OAHPP, as an agency of the Crown, is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector ["PS"] Accounting Board of the Chartered Professional Accountants of Canada. OAHPP has elected to follow PS 4200-4270 in the Public Sector Accounting Handbook.

Revenue recognition

Contributions are recognized in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions are recorded as deferred contributions or deferred capital contributions when initially recorded in the accounts and recognized as revenue in the period in which the related expenses are incurred.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

(in thousands of dollars)

March 31, 2015

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight-line basis based upon the estimated useful service lives of the assets as follows:

Building service equipment	5-30 years
Other equipment	5-10 years
Furniture	5-20 years
Leasehold improvements	Over the term of the lease

Inventory and other supplies held for consumption

Inventory and other supplies held for consumption are expensed when acquired.

Employee future benefits

Contributions to multi-employer, defined benefit pension plans are expensed on an accrual basis.

Other employee future benefits are non-pension benefits that are provided to certain employees and are accrued as the employees render the service necessary to earn these future benefits. The cost of these future benefits is actuarially determined using the projected unit credit method, prorated on service and management's best estimate of expected salary escalation and retirement ages of employees. Net actuarial gains and losses related to the employee future benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted using the average interest cost for the Province of Ontario's net new debt obligations with maturities that correspond to the duration of the liability.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Contributed materials and services

Contributed materials and services are not recorded in the financial statements.

Ontario Agency for Health Protection and Promotion
(operating as Public Health Ontario)

NOTES TO FINANCIAL STATEMENTS

(in thousands of dollars)

March 31, 2019

Financial instruments

Financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Use of estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions used in these financial statements require the exercise of judgment and are used for, but are not limited to, salary and benefit accruals, employee future benefit plans (severance credits) and the estimated useful lives of capital assets. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2019 $	2018 $
Ministry of Health and Long-Term Care	[illegible]	[illegible]
Harmonized Sales Tax	[illegible]	[illegible]
Other	[illegible]	[illegible]
	[illegible]	[illegible]

There are no significant amounts that are past due or impaired.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

4. RESTRICTED CASH

[a] Restricted cash consists of the following:

	2015 $	2014 $
Ministry of Health and Long-Term Care *[note 4[b]]*	8,735	8,820
Sheela Basrur Centre *[note 7[a]]*	179	259
	8,914	9,079

Restricted cash from the Ministry of Health and Long-Term Care ["MOHLTC"] represents funding received in connection with the liability assumed by OAHPP in connection with severance *[note 8[b]]*, other credits [primarily accrued vacation pay] related to employees who transferred to OAHPP [Ontario public health laboratories in 2008 and Public Health Architecture in 2011] and unspent cash pertaining to capital projects. Funds associated with severance and other credits are drawn down when transferred employees leave employment with OAHPP.

[b] The continuity of MOHLTC restricted cash is as follows:

	2015			
	Severance credits **$**	**Other credits** **$**	**Capital projects** **$**	**Total** **$**
	[note 7[b]]		*[note 6]*	
Restricted cash, beginning of year	**5,261**	**1,497**	**2,062**	**8,820**
Funding received	—	—	**69,712**	**69,712**
Interest earned	**79**	**20**	**221**	**320**
Restricted cash drawdown *[note 8[b]]*	**(467)**	**(12)**	**(69,638)**	**(70,097)**
Restricted cash, end of year *[note 4[a]]*	**4,873**	**1,505**	**2,357**	**8,735**

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

	2014			
	Severance credits $ *[note 7[b]]*	**Other credits** $	**Capital projects** $ *[note 6]*	**Total** $
Restricted cash, beginning of year	5,632	1,500	1,905	9,037
Funding received	—	—	11,452	11,452
Interest earned	64	17	71	152
Restricted cash drawdown *[note 8[b]]*	(435)	(20)	(11,366)	(11,821)
Restricted cash, end of year	5,261	1,497	2,062	8,820

5. CAPITAL ASSETS

Capital assets consist of the following:

	2015		
	Cost $	**Accumulated amortization** $	**Net book value** $
Building service equipment	**369**	**229**	**140**
Other equipment	**30,069**	**23,231**	**6,838**
Furniture	**3,776**	**2,164**	**1,612**
Leasehold improvements	**94,920**	**5,894**	**89,026**
Construction in progress	**4,279**	**—**	**4,279**
	133,413	**31,518**	**101,895**

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

	2014		
	Cost $	Accumulated amortization $	Net book value $
Building service equipment	369	192	177
Other equipment	26,250	20,523	5,727
Furniture	2,072	1,869	203
Leasehold improvements	7,641	3,459	4,182
Construction in progress	13,610	—	13,610
	49,942	26,043	23,899

6. DEFERRED CAPITAL ASSET CONTRIBUTIONS

Deferred capital asset contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital asset contributions is recorded as revenue in the statement of operations and changes in net assets. The continuity of the deferred capital asset contributions balance is as follows:

	2015 $	2014 $
Deferred capital asset contributions, beginning of year	**25,961**	26,510
Contributions for capital purposes	**83,683**	4,515
Interest earned on unspent contributions	**221**	71
Amortization of deferred capital asset contributions	**(5,613)**	(5,135)
Deferred capital asset contributions, end of year	**104,252**	25,961
Unspent deferred capital asset contributions *[note 4[b]]*	**(2,357)**	(2,062)
Deferred capital asset contributions spent on capital assets	**101,895**	23,899

Restricted cash includes $2,357 [2014 – $2,062] *[note 4[b]]* related to unspent deferred capital asset contributions.

Ontario Agency for Health Protection and Promotion [operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

7. DEFERRED CONTRIBUTIONS

[a] Deferred contributions consist of unspent externally restricted grants and donations for the following purposes:

	2015 $	2014 $
Severance credits	**893**	1,004
Sheela Basrur Centre *[note 4[a]]*	**179**	259
Other	**1,345**	1,163
	2,417	2,426

[b] Deferred contributions for severance credits represent the difference between the restricted cash held for severance credits and the portion of the accrued benefit liability associated with service prior to the transfer of employees of the laboratories to OAHPP *[note 8[b]]*.

[c] Deferred contributions for the Sheela Basrur Centre [the "Centre"] represent unspent funds held by OAHPP restricted for the Centre's outreach programs. In addition to these funds, $280 [2014 – $250] is held by the Toronto Foundation for the benefit of the Centre and its programs.

Named after the late Dr. Sheela Basrur, a former Chief Medical Officer of Health for the Province of Ontario, the Centre was created to become a prominent provider of public health education and training.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

8. EMPLOYEE FUTURE BENEFIT PLANS

[a] Multi-employer pension plans

Certain employees of OAHPP are members of the Ontario Public Service Employees Union ["OPSEU"] Pension Plan, the Healthcare of Ontario Pension Plan ["HOOPP"] or the Ontario Public Service Pension Plan ["PSPP"], which are multi-employer, defined benefit pension plans. These pension plans are accounted for as defined contribution plans. OAHPP contributions to the OPSEU Pension Plan, HOOPP and PSPP during the year amounted to $2,271 [2014 – $2,474], $3,062 [2014 – $2,775] and $534 [2014 – $545], respectively, and are included in expenses in the statement of operations and changes in net assets.

[b] Severance credits

OAHPP assumed the non-pension post-employment defined benefit plans provided to employees from the Government of Ontario as part of the transfer of employees from Ontario public health laboratories [in 2008] and Public Health Architecture [in 2011]. These defined benefit plans provide a lump sum payment paid on retirement to certain employees related to years of service. The latest actuarial valuation for the non-pension defined benefit plans was performed as at March 31, 2015. OAHPP measures its accrued benefit obligation for accounting purposes as at March 31 of each year based on an extrapolation from the latest actuarial valuation.

Additional information on the benefit plans is as follows:

	2015 $	2014 $
Accrued benefit obligation	**5,488**	5,672
Plan assets	—	—
Plan deficit	**5,488**	5,672
Unamortized actuarial losses	**(514)**	(448)
Accrued benefit liability, end of year	**4,974**	5,224

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

The continuity of the accrued benefit liability as at March 31 is as follows:

	2015 $	2014 $
Accrued benefit liability, beginning of year	**5,224**	5,554
Expense for the year	**217**	105
Contributions to cover benefits paid *[note 4[b]]*	**(467)**	(435)
Accrued benefit liability, end of year	**4,974**	5,224

The significant actuarial assumptions adopted in measuring OAHPP's accrued benefit obligation and expense are as follows:

	2015 %	2014 %
Accrued benefit obligation		
Discount rate	**2.00**	3.25
Rate of compensation increase	**2.25**	3.25
Rate of inflation	**2.00**	2.25
Expense		
Discount rate	**3.25**	3.00
Rate of compensation increase	**3.25**	3.25
Rate of inflation	**2.25**	2.25

9. DIRECTORS' REMUNERATION

The Government Appointees Directive requires the disclosure of remuneration paid to directors. During the year ended March 31, 2015, directors were paid $34 [2014 – $17].

10. SUPPLEMENTAL CASH FLOW INFORMATION

The change in accounts payable and accrued liabilities related to the purchase of capital assets is adjusted for capital assets received but not paid for as at March 31, 2015 of $15,618 [2014 – $6,571] and has been excluded from the statement of cash flows.

Ontario Agency for Health Protection and Promotion
[operating as Public Health Ontario]

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2015

The change in accounts receivable related to contributions for capital asset purchases is adjusted for contributions receivable but not received as at March 31, 2015 of $11,099 [2014 – $1,498] and has also been excluded from the statement of cash flows.

11. COMMITMENTS AND CONTINGENCIES

[a] Under the Laboratories Transfer Agreement, MOHLTC is responsible for all obligations and liabilities in respect of the public health laboratories that existed as at the transfer date, or which may arise thereafter and have a cause of action that existed prior to the transfer date of December 15, 2008.

[b] OAHPP is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. Members of the pool pay annual deposit premiums which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years in which OAHPP participated. As at March 31, 2015, no assessments have been received.

[c] OAHPP has committed future minimum annual payments to Infrastructure Ontario related to premises as follows:

	$
2016	18,015
2017	15,369
2018	14,721
2019	14,511
2020	12,248
Thereafter	270,816

12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 financial statements.

Ontario Capital Growth Corporation

June 22, 2015

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation (OCGC) have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 22, 2015.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit and Risk Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit and Risk Committee assists the Board of Directors in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by an independent auditor, PricewaterhouseCoopers LLP. The auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian public sector accounting standards. The auditor's report, which appears on the following page, outlines the scope of the auditor's examination and its opinion.

On behalf of Management:

John Marshall, President and Chief Executive Officer

pwc

June 22, 2015

Independent Auditor's Report

To the Board of Directors of
Ontario Capital Growth Corporation

We have audited the accompanying financial statements of Ontario Capital Growth Corporation, which comprise the statements of financial position as at March 31, 2015 and 2014 and the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, changes in net assets, and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

pwc

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Capital Growth Corporation as at March 31, 2015 and 2014, and the results of its operations and changes in accumulated operating surplus, its remeasurement gains and losses, changes in its net assets and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ontario Capital Growth Corporation

Statements of Financial Position

As at March 31, 2015 and 2014

	2015 $	2014 $
Assets		
Cash and cash equivalents	4,242,043	8,253,639
Marketable securities (note 5)	92,636,653	113,187,167
Accounts receivable (note 4)	10,015,077	3,145,833
Ontario Venture Capital Fund LP (OVCF) (note 6)	55,046,432	43,772,166
Ontario Emerging Technologies Fund (OETF) (notes 7 and 10)	63,488,462	59,076,002
Northleaf Venture Catalyst Fund LP (NVCF) (note 8)	17,739,398	2,632,720
	243,168,065	230,067,527
Liabilities		
Accounts payable (note 13)	281,327	312,500
Net Assets	242,886,738	229,755,027
Accumulated surplus	242,886,738	229,755,027
Accumulated surplus comprises		
Accumulated operating surplus	241,419,846	228,744,433
Accumulated remeasurement gains	1,466,892	1,010,594
	242,886,738	229,755,027

Approved by the Board of Directors

_______________ Director _______________ Director

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Operations and Changes in Accumulated Operating Surplus

For the years ended March 31, 2015 and 2014

	2015 $	2014 $
Revenues		
Funding and transfer payments from the Province of Ontario		
OETF (note 7)	8,000,000	14,996,703
NVCF (note 8)	-	50,000,000
Life Sciences Seed Venture Capital Fund (LSSVCF) (notes 4 and 14)	10,000,000	-
Interest income	1,346,307	1,075,089
Investment income in funds (note 11)	79,522	1,182
Net realized gains on sale of investment in funds	566,476	13,003,704
Foreign currency exchange gain	72,197	13,321
	20,064,502	79,089,999
Expenditures		
Reimbursements to MRI (note 13)	820,548	1,035,319
Cash management fees (note 9)	37,986	32,608
Professional services fees (note 9)	357,641	562,782
Board and committee member fees	12,008	10,100
Impairment of OETF investments (note 12)	6,160,906	2,652,198
	7,389,089	4,293,007
Operating surplus	12,675,413	74,796,992
Accumulated operating surplus - Beginning of year	228,744,433	153,947,441
Accumulated operating surplus - End of year	241,419,846	228,744,433

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Remeasurement Gains and Losses

For the years ended March 31, 2015 and 2014

	2015 $	2014 $
Accumulated remeasurement gains - Beginning of year	1,010,594	171,143
Unrealized gains (losses) attributable to		
Foreign exchange	675,452	462,182
Marketable securities	(146,559)	404,201
Amounts reclassified to the statement of operations		
Disposition of OETF investment	(90,595)	(26,932)
	438,298	839,451
Accumulated remeasurement gains - End of year	1,448,892	1,010,594

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Changes in Net Assets

For the years ended March 31, 2015 and 2014

	2015 $	2014 $
Net assets - Beginning of year	229,759,027	154,118,584
Operating surplus	12,675,413	74,708,992
Net remeasurement gains	456,298	931,451
Increase in net assets	13,131,711	75,640,443
Net assets - End of year	242,890,738	229,759,027

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Statements of Cash Flows

For the years ended March 31, 2015 and 2014

	2015 $	2014 $
Cash provided by (used in)		
Operating activities		
Increase in net assets	13,131,711	75,636,443
Unrealized losses (gains) attributable to marketable securities	146,559	(404,201)
Impairment of OETF investments	6,160,906	2,652,198
Realized gains on sale of investment in funds	(519,657)	(12,412,364)
Changes in non-cash operating balances		
Increase in accounts receivable	(7,250,405)	(601,648)
(Decrease) increase in accounts payable	(31,173)	111,125
	11,637,941	64,981,553
Investing activities		
Purchase of marketable securities	(130,692,947)	(151,321,669)
Sale of marketable securities	151,478,063	77,532,183
Purchase of investments in OVCF	(11,321,558)	(19,387,189)
Return of capital from OVCF	47,292	32,089,696
Purchase of investments in NVCF	(15,106,678)	(2,632,720)
Purchase of investments in OETF	(11,514,032)	(11,436,315)
Sale of investments in OETF	1,460,323	14,867,144
	(15,649,537)	(60,288,870)
Increase (decrease) in cash and cash equivalents during the year	(4,011,596)	4,692,683
Cash and cash equivalents - Beginning of year	8,253,639	3,560,956
Cash and cash equivalents - End of year	4,242,043	8,253,639

The accompanying notes are an integral part of these financial statements.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2015 and 2014

1 Description of business

The Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as at February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI). As at March 31, 2015, OCGC is responsible to the Minister of Research and Innovation (the Minister).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

- to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP;
- to receive, hold and deal with property, whether real or personal, in connection with the objects described in Section 4(a); and
- to carry out the other objects that are prescribed by regulations.

In July 2009, additional objects were prescribed by Ontario Regulation 278/09 made under the Act:

a) to acquire, manage and otherwise deal with a portfolio of investments in businesses that the Corporation considers constitute emerging technologies businesses, which portfolio is known in English as the Ontario Emerging Technologies Fund and in French as fonds ontarian de développement des technologies émergentes; and

b) to receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with the objectives described in clause 1(a).

In May 2013, additional objects were prescribed by Ontario Regulation 149/13 made under the Act to participate in the formation of one or more funds, to acquire interests in the funds, and to hold, administer and otherwise deal with those interests, where each fund meets the following criteria:

c) It receives funding directly or indirectly from, among others, one or more of the following:

   d) the Government of Canada;

   e) the Corporation; and

   f) private sector entities.

g) Its goals include promoting the creation of a globally competitive venture capital industry, increasing the supply and effective deployment of early-stage investment capital and increasing the supply of top performing fund managers to manage venture capital investments in Ontario and Canada.

h) It invests in one or both of the following:

  i) other funds that supply venture capital to companies; and

  j) innovative companies that require venture capital.

k) It is managed by a private sector fund manager.

In January 2014, as part of a Government of Ontario $50 million commitment to establish a new Ontario venture capital fund, the Corporation made an initial commitment of $36.25 million to the Northleaf Venture Catalyst Fund LP alongside the federal government and private sector investors. In July 2014, the commitment was increased to a total of $38.75 million.

In May 2014, the Government of Ontario announced a new life sciences seed venture capital fund (LSSVCF) of up to $30 million. The Corporation will seek to establish the fund in partnership with hospital foundations and the private sector to help finance early-stage Ontario life sciences companies.

As required by the Agencies and Appointments Directive, the Corporation and the Minister have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between the Minister, MRI and the Corporation.

OCGC is classified as an Operational Enterprise Agency. OCGC is responsible for fulfilling the Province of Ontario's contractual obligations as a limited partner in the Ontario Venture Capital Fund LP (OVCF) and the Northleaf Venture Catalyst Fund LP (NVCF). OCGC is also responsible for establishing, holding, managing and administering the Ontario Emerging Technologies Fund (OETF).

OVCF is a joint initiative between the Province of Ontario and leading institutional investors. It is structured as a fund-of-funds that invests primarily in Ontario based and Ontario focused venture capital and growth funds, which, in turn, make investments in innovative, high growth companies. OVCF was established to provide investment funding to venture capital and growth equity managers capable of generating superior returns by investing in enterprises with a view to creating large, globally competitive companies.

OETF is structured as a direct co-investment fund that makes investments in innovative high potential companies alongside other qualified investors with a proven track record of success. OETF is an initiative of the Government of Ontario to invest in innovative high potential companies with an Ontario footprint in three strategic sectors: (a) clean technology; (b) digital media and information and communications technologies; and (c) life sciences and advanced health technologies.

NVCF is an initiative between the Government of Ontario, the federal government and private sector investors. It is structured as a fund-of-funds that invests primarily in Canadian venture capital and growth funds which, in turn, make investments in innovative, high potential companies. NVCF was established to continue the goals and objectives of OVCF; that is, generate risk adjusted returns by investing in enterprises to help create large, globally competitive companies.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2015 and 2014

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). With the establishment of a Harmonized Sales Tax (HST), OCGC pays the HST on taxable supplies and services, and subsequently applies for a rebate of the HST paid.

OCGC operates in the same fiscal year ending March 31 as the Government of Ontario.

2 Summary of significant accounting policies

The Corporation's functional and presentation currency is the Canadian dollar. All financial statement disclosures have been prepared in accordance with Canadian public sector accounting standards (PSAS) established by the Canadian Public Sector Accounting Board. The more significant accounting policies of the Corporation are summarized below.

Cash and cash equivalents

Cash and cash equivalents include demand deposits that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value. Cash equivalents include investments that are short-term and highly liquid and have maturities of less than three months from the original purchase date.

Marketable securities

Marketable securities quoted in an active market are measured at fair value as at the dates of the statements of financial position with any unrealized gain or loss recognized on the statements of remeasurement gains and losses. Remeasurement gains and losses related to a particular investment are reclassified to the statements of operations and changes in accumulated operating surplus when that investment is settled. Fair value includes the value of accrued interest, as applicable.

Investments in marketable securities that are not traded in an active market are measured at cost. Impairment losses, which are other than temporary, are recognized in the statements of operations and changes in accumulated operating surplus when they occur.

Ontario Venture Capital Fund LP (OVCF)

The investment in OVCF is classified as a financial instrument and carried at cost based on the capital calls made by the general partner of OVCF. The investment in OVCF is not traded in an active market; therefore, the fair value of the investment is not readily determinable. OVCF investments are subsequently tested for impairment on each statement of financial position date and any losses due to impairment are recognized in the statement of operations and changes in accumulated operating surplus on that date.

Ontario Emerging Technologies Fund (OETF)

The investments in OETF are classified as financial instruments and carried at cost or measured at fair value based on whether or not there exists an active market for the securities. OETF investments quoted in an active market are measured at fair value as at the statements of financial position dates with any unrealized gain or loss recognized on the statements of remeasurement gains and losses. Remeasurement gains and losses are

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2015 and 2014

reclassified to the statements of operations and changes in accumulated operating surplus when an investment becomes impaired or is derecognized. Impairment losses that are other than temporary are recorded to the statements of operations and changes in accumulated operating surplus when recognized. Fair value includes the value of accrued interest or dividends payable, as applicable.

When an OETF investment is not traded in an active market, it is measured at cost. OETF investments are tested for impairment on each statement of financial position date and any impairment losses are recognized in the statement of operations and changes in accumulated operating surplus on that date.

Accrued interest, dividends and realized gains on the sale of OETF investments are recorded as described below under revenue recognition. If the Corporation has evidence the amounts owing will be collected, these amounts are accrued as receivable; otherwise, a reserve is taken against these amounts. If, in a future year, the Corporation receives an amount that had been written off, it is recorded as a recovery that had been previously deemed uncollectible. Amounts written off or recovered are recognized in the statement of operations and changes in accumulated operating surplus in the year in which they occur.

Northleaf Venture Catalyst Fund LP (NVCF)

The investment in NVCF is classified as a financial instrument and carried at cost based on the capital calls made by the NVCF general partner. The investment in NVCF is not traded in an active market and therefore the fair value of the investment is not readily determinable. After an initial minimum five years to make commitments to underlying funds, the investment in NVCF will be subsequently tested for impairment on each statement of financial position date and any losses due to impairment will be recognized in the statement of operations and changes in accumulated operating surplus on that date.

Fair value and impairment

The Corporation's carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the immediate or short-term nature of these financial instruments.

The fair values of investments in OVCF and NVCF are not readily determinable and have been recorded at cost. Both OVCF and NVCF do not have a quoted market price in an active market. Subject to an impairment assessment policy, the Corporation may carry out periodic testing of fund investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investment is determined to be impaired, it is written down to the new carrying value and the resulting impairment loss is recognized immediately in the statements of operations and changes in accumulated operating surplus.

The co-investments made in OETF are recorded at cost, which represent fair value at the time of acquisition. Investments that are quoted in an active market are measured at fair value at the statements of financial position dates. Any unrealized gain or loss at these dates is recognized in the statements of remeasurement gains and losses until the investment is derecognized or other than temporarily impaired. All other OETF investments are measured at cost or amortized cost. As part of the reporting process to the Province of Ontario, the Corporation is required to carry out periodic valuations of OETF investments to determine whether there has been an other than temporary loss in value that would indicate impairment. If the investments are determined to be impaired, they are written down to the new carrying value and the impairment expense is recognized immediately in the statements of operations and changes in accumulated operating surplus. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition should be measured at fair value unless that derivative is linked to and must be settled by delivery of unquoted equity instruments, in which case, the derivative would be required to be measured at cost. For derivatives classified to the fair value category, value is first determined by referencing a quoted price in an active market, or in the absence of this, by applying a suitable valuation technique.

Revenue recognition

Interest income is recognized as it is earned. For marketable securities and OETF investments, interest income is accrued using the effective interest rate method.

Dividend income is recognized in the year the Corporation becomes entitled to receive the dividend as per the terms and conditions of the share issuance.

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective disposition.

Revenue on distributions from OVCF and NVCF are recognized in the year the Corporation becomes entitled to receive the distribution as per the terms and conditions of the respective limited partnership agreement.

OETF and NVCF funding received represents monies transferred from MRI to the Corporation, as described in notes 7 and 8, respectively.

Expense categories

Cash management fees primarily represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Board and committee member expenses represent monies paid to board and committee members according to the Board and Committee Members Remuneration Policy, which conforms with the Agencies and Appointments Directive of Management Board of Cabinet (February 2015).

Reimbursements to MRI represent direct OCGC expenses paid by MRI on its behalf for administrative purposes only.

Foreign currency translation

Foreign currency gains and losses on monetary items are recognized immediately in the statements of operations and changes in accumulated operating surplus. Unrealized foreign currency gains and losses on marketable securities, investments in OVCF, investments in NVCF and OETF investments are recognized in the statements of remeasurement gains and losses. Unrealized foreign currency exchange gains and losses are reclassified from the statements of remeasurement gains and losses to the statements of operations and changes in accumulated operating surplus when the financial instrument is derecognized.

Measurement uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates are based on the best information available at the time of preparation of the financial statements and are periodically reviewed to reflect new information as it becomes available. Actual results could differ from those estimates.

3 Financial instruments

The Corporation has exposure to credit risk, liquidity risk, currency risk, interest rate risk and other price risk arising from financial instruments. This note presents information about OCGC's exposure to each of these risks.

Credit risk

Credit risk arises from the potential a counterparty will fail to perform its obligations. The Corporation is currently exposed to credit risk through its holdings of convertible debt instruments in OETF.

The Corporation considers obligations of the Governments of Ontario and Canada to be relatively risk-free (note 5).

Liquidity risk

Liquidity risk is the risk an entity will encounter difficulty in raising funds to meet both expected and unexpected cash demands associated with its financial liabilities. The Corporation manages liquidity risk by maintaining holdings of cash or highly liquid investments. In addition, MRI provides funding to the Corporation to meet obligations as required.

Currency risk

Currency risk is the risk to the Corporation's results of operations that arises from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation's exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of $5,278,556 to the US dollar as at March 31, 2015 (2014 - $4,655,823). A 5% increase (5% decrease) of the Canadian dollar against the US dollar as at March 31, 2015 would result in an impact of $263,928 (2014 - $232,791) on the statements of remeasurement gains and losses with no impact on the operating surplus. In practice, the actual trading results may differ from this sensitivity analysis and the impact could be material.

Interest rate risk

Interest rate risk is the risk the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term marketable securities and OETF investments. Risks from interest rate fluctuations for marketable securities are minimal due to the investments being held for a term of three years or less to match the OVCF and NVCF drawdowns projected by the OVCF and NVCF fund manager. The impact of interest rate fluctuations on OETF investments are considered minimal as these instruments are primarily held for purposes of capital appreciation.

Other price risk

Other price risk is the risk the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2015, if the value of the investments in OVCF, NVCF and OETF had increased or decreased by 5% and all other variables held constant, the value of the investments would have changed by $6,813,715 (2014 - $5,274,044). Investments made through OVCF, NVCF or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by OCGC on eventual disposition is inherently unpredictable.

Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The carrying value of the OETF portfolio is measured at cost less changes for any other than temporary impairment in value at the statement of financial position date, however, the amounts that may ultimately be realized could be materially different.

4 Accounts receivable

As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases and, subsequently, files a monthly rebate claim with the Canada Revenue Agency for the HST paid. HST rebates receivable as at March 31, 2015 amounted to $15,077 (2014 - $13,681).

Realized gains on the sale of OETF investments are recognized in the year the Corporation becomes entitled to receive the proceeds as per the terms and conditions of the respective dispositions. There were no receivables as a result of dispositions of OETF investments made in 2015 (2014 - $3,132,152).

The remaining balance as at March 31, 2015 in the amount of $10,000,000 represents a receivable from the Province of Ontario in the Life Sciences Seed Venture Capital Fund (LSSVCF), as described in note 14 (2014 – $nil).

5 Marketable securities

OCGC may temporarily invest any monies not immediately required to carry out its objectives in:

a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or

b) interest bearing accounts and short-term certificates of deposit issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

The value of investments in marketable securities as at March 31 is as follows:

	2015		2014	
	Par value $	Fair value $	Par value $	Fair value $
Province of Ontario treasury bills, due dates ranging from April 1, 2015 to June 22, 2016, average coupon rate of 0.00%	74,325,000	74,111,483	53,230,000	52,666,610
Province of Ontario treasury bills, due date August 16, 2015, average coupon rate of 0.00%	18,577,000	18,525,170	61,052,000	60,520,557
	92,902,000	92,636,653	114,282,000	113,187,167

Fair value includes any accrued interest owing on the treasury bills.

The fair value of the marketable securities may fluctuate depending on changes in interest rates. For the year ended March 31, 2015, a change in interest rates of 1.0% would result in an impact of $1.1 million (2014 - $1.3 million) to the results of operations.

6 Ontario Venture Capital Fund LP (OVCF)

In June 2008, the OVCF was established with an investment commitment from the Province of Ontario of $90 million. OVCF is a $205 million joint initiative of the Government of Ontario and private institutional investors, formed to invest primarily in Ontario based and Ontario focused venture capital and growth equity funds that support innovative, high potential companies.

The investment in OVCF is carried at cost, based on the capital calls made by the general partner of OVCF. OVCF is not traded in an active market and the fair value of the investment is not readily determinable.

7 Ontario Emerging Technologies Fund (OETF)

OETF was launched in July 2009 with a commitment from the Province of Ontario to provide funding of $250 million. OETF, as a direct co-investment fund, makes investments into innovative high potential companies alongside other qualified investors with a proven track record of success. Investments are in three strategic sectors: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences and advanced health technologies.

On May 30, 2012, the Corporation implemented a pause on any new investments under OETF for an indefinite period of time. This decision did not affect the Corporation's ability to continue to make follow-on investments into existing portfolio companies and did not affect investments-in-process that had already been approved by OCGC's Board of Directors but had not yet closed.

For the year ended March 31, 2015, the aggregate OETF transfer payments received from MRI were $8,000,000 (2014 - $14,996,703).

8 Northleaf Venture Catalyst Fund LP (NVCF)

On March 27, 2013, MRI entered into a transfer payment agreement with OCGC to invest in a new Ontario venture capital fund subsequently named the Northleaf Venture Catalyst Fund. To be structured as a limited partnership, the proposed target size of the fund is $300 million with capital commitments from the Government of Ontario, Government of Canada and the private sector. The Government of Ontario provided its entire funding obligation of $50 million to the Corporation in advance of the establishment of the NVCF limited partnership in January 2014.

In July 2014, OCGC increased its initial commitment from $36.25 million to a total amount of $38.75 million. Subsequent to the year ended March 31, 2015, OCGC increased its investment commitment to a total amount of $44 million. The investment in NVCF is carried at cost, based on the capital calls net of any return of recallable capital made by the NVCF general partner. As NVCF is not traded in an active market, the fair value of the investment in not readily determinable.

9 Contractual commitments

OCGC has the following contractual commitments:

- In accordance with a financial service agreement between the OFA and OCGC, OFA conducts investment and cash management services and activities for OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.

- Pursuant to the OVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2015, the total uncalled commitment is $34,624,051 to be drawn down over the remaining years of the limited partnership.

- In accordance with the contract between Ernst & Young LLP (E&Y) and OCGC, E&Y conducts due diligence services and activities to qualify OETF co-investors. OCGC pays both fixed and hourly rates for these services and activities, respectively.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2015 and 2014

- In accordance with the contract between Covington Capital Corporation (Covington) and OCGC, Covington conducts services and activities to qualify, monitor, and exit OETF's investments. OCGC pays both fixed and hourly rates for these services and activities, respectively.
- In accordance with the contract between CanCn Accounting & Tax Inc. (CanCn) and OCGC, CanCn performs accounting functions relating to the operations of OCGC. OCGC pays an hourly rate for these services.
- Pursuant to the NVCF limited partnership agreement, OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2015, the total uncalled commitment is $21,010,602 to be drawn down over the remaining years of the limited partnership.

10 Investments in OETF

Investments in OETF can take the form of shares or convertible debt transacted in Canadian dollars (CAD) or US dollars (USD). The investments in OETF as at March 31, 2015 and 2014 are summarized as follows:

	2015			2014		
	Acquisition cost $	Carrying value $	Contingent $ *	Acquisition cost $	Carrying value $	Contingent $ *
CAD investments	65,106,802	58,759,822	350,000	54,685,216	54,420,179	4,225,000
USD investments	5,893,925	4,728,640	422,200	10,215,766	4,655,823	-
	71,000,727	63,488,462	772,200	64,900,982	59,076,002	4,225,000

* Represents follow-up on investments committed to by the Corporation but not yet executed.

All investments have been made in accordance with OETF guidelines. As at March 31, 2015, the OETF investment portfolio consisted of investments in 20 different companies, ranging from 0.21% to 4.56% of net assets. The percentage calculations exclude impaired investments in companies with nominal or $nil carrying value.

11 Income on investment in funds

During the years ended March 31, 2015 and 2014, the Corporation recognized $79,52 and $1,182, respectively, of investment income in funds. With respect to investments in OETF, the accrued interest realized was reinvested into new securities of the respective OETF portfolio companies as part of the exchange or conversion and is reflected in the cost basis of these securities.

12 Impairment of OETF investments

For the years ended March 31, 2015 and 2014, impairment charges of $6,160,906 and $2,652,198, respectively, OETF investments were identified by management and were recognized in the statements of operations and changes in accumulated operating surplus.

Ontario Capital Growth Corporation

Notes to Financial Statements

March 31, 2015 and 2014

13 Accounts payable

The Corporation and MRI carry out their respective operations on a shared cost basis. The Corporation reimburses MRI for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology and rent allocations per staff member, external legal services, website development, French language translation, and other services.

Recognition and measurement of any reimbursement is subject to annual reconciliation between the Corporation and MRI, and approval of the extent and scope of MRI services to be provided. For each fiscal year ending March 31, the Corporation will seek certification from MRI that any further potential financial liability with respect to eligible expenses incurred on behalf of the Corporation is fully satisfied without further recourse.

The Corporation accrues eligible expenses reimbursable to MRI under accounts payable based on estimates provided by MRI that can be independently verified by the Corporation. Reimbursement payable in arrears as at March 31, 2015 amounted to $136,196 (2014 - $119,031).

The remaining balance as at March 31, 2015 in the amount of $145,132 (2014 - $192,569) represents payables in arrears to miscellaneous service providers.

14 Life Sciences Seed Venture Capital Fund (LSSVCF)

On March 27, 2015, MRI entered into the LSSVCF transfer payment agreement with OCGC to establish and invest in a new Ontario life sciences seed venture capital fund. The size of the proposed fund is up to $30 million with capital commitments from the Government of Ontario, hospital foundations and the private sector.

For the year ended March 31, 2015, the Corporation met the terms and conditions of the LSSVCF transfer payment agreement for MRI to disburse the entire $10 million funding obligation, which was subsequently received after year-end (2014 - $nil).

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

Management's Responsibility for Financial Information

OCWA's management and Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards.

OCWA is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed, and continues to maintain, financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices, and reports are issued to the Executive Management Team.

The Board of Directors ensures that management fulfills its responsibilities for financial and internal control. The Board of Directors and the Audit and Finance Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least once a year to review the financial statements and the external auditor's report and recommend them to the Minister of the Environment and Climate Change for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with Canadian public sector accounting standards. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Rob Andrews
President and Chief Executive Officer

Dan Atkinson
Vice President,
Finance and Corporate Services

Toronto, Ontario
March 26, 2015

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Clean Water Agency,
the Minister of the Environment and Climate Change,
and the Minister of Finance

I have audited the accompanying financial statements of the Ontario Clean Water Agency, which comprise the statement of financial position as at December 31, 2014, and the statements of operations and change in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Clean Water Agency as at December 31, 2014 and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance Canadian public sector accounting standards.

[illegible]

Toronto, Ontario
March 26, 2015

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Statement of Financial Position

As at December 31, 2014

Assets

	(in thousands of dollars) December 31, 2014	December 31, 2013
Current assets:		
Cash and short-term investments [note 3a]	**44,594**	39,205
Accounts receivable, net		
Municipalities and other customers [note 3b]	**20,823**	22,062
Ministry of the Environment and Climate Change	**82**	144
Harmonized sales tax receivable	**1,850**	1,751
Prepaid Expenses	**352**	483
Current portion of investments receivable for water and wastewater facilities [note 2]	**826**	920
	68,527	64,565
Non-current assets:		
Investments in term deposits [note 3a]	**21,827**	23,719
Investments receivable for water and wastewater facilities [note 2]	**1,434**	2,161
Loan receivable - Ontario Infrastructure and Lands Corporation [note 3c]	**120.000**	120,000
Tangible Capital Assets, net [note 4]	**9,834**	8,986
	153.095	154,866
Total Assets	**221,622**	219,431

Statement of Financial Position

As at December 31, 2014

[in thousands of dollars]

	December 31, 2014	December 31, 2013
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	**16,306**	15,856
Current portion of employee future benefits [note 8a]	**3,747**	3,093
	20,053	18,949
Long-term liabilities:		
Employee future benefits [note 8a]	**12,571**	12,855
Net Assets	**188,998**	187,627
Contingencies [note 7a] and Measurement Uncertainty [note 1e]		
Total Liabilities and Net Assets	**221,622**	219,431

See accompanying notes to financial statements

On behalf of the Board

Director

Director

Statement of Operations and Change in Net Assets

For the year ended December 31, 2014

(in thousands of dollars)

	December 31, 2014	December 31, 2013
Utility Operations Revenues:		
Utility operations	162,306	157,222
Fees	3,415	2,186
Total Operating Revenues	165,720	159,408
Operating Expenses:		
Salaries and benefits (note 8a and note 8b)	72,031	72,791
Other operating expenses	92,294	85,618
Amortization of tangible capital assets	2,855	3,079
Total Operating Expenses	167,180	161,488
Deficiency of revenue over expenses – Utility Operations	(1,460)	(2,080)
Interest from investments and loans receivable	2,851	2,914
Excess of revenue over expenses	1,391	834
Net Assets, opening balance	187,627	186,813
Adjustment to Net Assets (note 6)	(20)	(20)
Net Assets, ending balance	188,998	187,627

see accompanying notes to financial statements

Statement of Cash Flows

For the year ended December 31, 2014

[in thousands of dollars]

	December 31, 2014	December 31, 2013
Cash Provided by [used for] Operating Activities		
Deficiency of revenue over expense Utility Operations	[1,460]	[2,080]
Items Not Affecting Cash		
Amortization of Tangible Capital Assets	2,855	3,079
Increase in future employee benefits expense	1,963	3,563
	3,358	4,562
Changes in non cash operating working capital		
Accounts Receivable	1,202	2,538
Prepaid Expenses	131	[42]
Accounts Payable and Accrued Liabilities	450	[1,342]
Legislated Severance	[1,594]	[1,174]
	189	[20]
Net Cash Flows from operating activities	3,547	4,542
Cash From Investing Activities		
Interest	2,852	2,914
Principal Repaid on Loans	821	904
Decrease/[Increase] in non-current Term Deposits	1,892	[6,661]
Net cash flows from investing activities	5,565	[2,843]
Cash Used in Capital Activities		
Tangible Capital Assets Acquired	[3,703]	[2,323]
Cash Used in Financing Activities		
Changes in Net Assets	[20]	[20]
Increase [decrease] in Cash and Short-Term Investments	5,389	[644]
Cash and Short-Term Investments, Opening Balance	39,205	39,849
Cash and Short-Term Investments, Closing Balance	44,594	39,205

Notes to Financial Statements

December 31, 2014

GENERAL

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act, 1993 (the "Act").

The Agency's objects include:

(a) assisting municipalities, the Government of Ontario and other persons or bodies to provide water and sewage works and other related services by financing, planning, developing, building and operating those works and providing those services;

(b) financing and promoting the development, testing, demonstration and commercialization of technologies and services for the treatment and management of water, wastewater and stormwater;

(c) carrying out the activities described in clauses (a) and (b) in Ontario and elsewhere in a manner that protects human health and the environment and encourages the conservation of water resources; and

(d) with respect to activities described in clauses (a) and (b) that are carried out in Ontario, carrying them out in a manner that supports provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

The Agency is classified as a government not-for-profit for financial reporting purposes. These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board. The significant accounting policies are as follows:

(a) Cash and Short-term Investments

Cash and short-term investments, including a portfolio of bonds, are recorded at cost. Accrued interest is recorded in accounts receivable. Bonds are expected to be held until maturity.

Notes to Financial Statements

December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Tangible Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost. Tangible Capital Assets are amortized on a straight-line basis as follows:

Computer Software	2-7 years
Information Systems	7 years
Furniture and Fixtures	5 years
Automotive Equipment	4-20 years
Computer Hardware	3-7 years
Machinery and Equipment	5 years
Leasehold Improvements	Life of the lease

(c) Revenue Recognition

Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Financial Instruments

A financial instrument is an asset that will ultimately be settled in cash.

All financial instruments have been valued at cost, which approximates fair value.

The financial instruments consist of cash and short-term investments, accounts receivable, investments receivable, bond portfolio, term deposits, loans receivable, accounts payable and accrued liabilities, and employee future benefits.

Notes to Financial Statements

December 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A Statement of Remeasurement of Gains and Losses has not been prepared because all financial instruments are valued at cost and there are no changes in fair value to record.

e) **Measurement Uncertainty**

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Significant items subject to such estimates and assumptions include the amortization expense, accrued liabilities and employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 5.97% and 10.52%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning January)	*(in thousands of dollars)*
2015	826
2016	579
2017	573
2018	227
2019	26
Thereafter	29
	2,260
Less: Current portion	(826)
	1,434

Notes to Financial Statements

December 31, 2014

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES [cont'd]

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at December 31, 2005. The Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment.

Other than as described in this note, there are no other provisions established for investment receivables.

3. FINANCIAL INSTRUMENTS

[a] Cash and Investments

The Agency has $66.4 million invested in bank balances, term deposits and a bond portfolio as follows:

	[in thousands of dollars]
Bank Balances	15,492
Short term bonds [coupon rates 2.24% to 8.65%]	5,200
Term deposits due within a year [Interest rates 1.91%-1.98%]	23,902
Cash and Short-Term Investments	44,594
Term deposits due within two years [Interest rates 2.17%-2.25%]	21,827
	66,421

The fair value of the bank balances and term deposits approximates carrying value and the fair value of the short-term bond portfolio is $5.107 million.

Notes to Financial Statements

December 31, 2014

3. FINANCIAL INSTRUMENTS [cont'd]

[b] Credit Risk

The maximum exposure to credit risk consists of the total of cash and short-term investments, accounts receivable, investments in term deposits, investments receivable and loans receivable.

The Agency is exposed to low credit risk because receivables are due from municipalities and payment is usually collected in full. Credit rating reviews are performed for non-municipal clients. All bank balances and short-term investments are held by large Canadian chartered banks.

A breakdown of the accounts receivable from municipalities and other customers is as follows:

	[in thousands of dollars]
0-60 days	19,261
61-90 days	233
91-120 days	729
121-150 days	56
More Than 151 days	544
Total Net Accounts Receivable Municipalities and Other Customers	20,823

An account receivable is considered to be impaired when dispute resolution has failed and the account is forwarded to legal counsel for further action. At December 31, 2014, two accounts were considered impaired. The outstanding balances totaled to $0.3 million [2013 - $0.3 million]. Net Accounts Receivable includes an Allowance for Doubtful Accounts which is based on a provision for 25% of Accounts Receivable aged greater than 60 Days. The Agency believes that this policy mitigates the risk of incorrect provision.

Notes to Financial Statements

December 31, 2014

3. FINANCIAL INSTRUMENTS (cont'd)

[c] **Cash Flow Risk**

The Agency has extended a $120 million loan to Ontario Infrastructure and Lands Corporation which matures on March 1, 2023 with a variable interest rate set at four basis points below the average monthly Canadian Dollar Offered Rate. It also has term deposits and bank balances that are sensitive to the prevailing interest rates. As a result, it is exposed to a cash flow risk related to the fluctuations in interest rates.

[d] **Other**

The Agency is exposed to low risk for electricity and chemical costs because most of the contracts are structured to pass these costs through to the customer.

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

4. TANGIBLE CAPITAL ASSETS

(in thousands of dollars)	Cost	Accumulated Amortization	**Net December 31, 2014**	Net December 31, 2013
Computer Software	6,820	1,738	**5,082**	2,740
Information Systems	5,537	3,640	**1,897**	2,400
Furniture and Fixtures	167	88	**79**	101
Automotive Equipment	5,160	4,480	**680**	1,330
Computer Hardware	3,910	2,418	**1,492**	1,724
Machinery and Equipment	751	382	**369**	404
Leasehold improvements	377	142	**235**	287
	22,722	12,888	**9,834**	8,986

The Board has approved capital and re-engineering expenditures of up to $14.7 million from fiscal 2012 to 2018 to modernize the Agency's information tecdology infrastructure.

Notes to Financial Statements

December 31, 2014

5. LEASE COMMITMENTS

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

	(in thousands of dollars)
2015	1,903
2016	1,795
2017	1,633
2018	1,365
2019	922
Thereafter	279
	7,897

6. NET ASSETS

When the Agency was first established, the opening net assets were received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

Subsequent adjustments to the opening balance relate to legal costs that were agreed to prior to the establishment of the Agency.

7. CONTINGENCIES

a) Litigation

The Agency is the defendant in a number of lawsuits that arise in the normal course of business. Most of these claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rise to the claim occurred and the nature of the claim. The outcome of the lawsuits cannot be determined at this time.

Notes to Financial Statements

December 31, 2014

7. CONTINGENCIES (cont'd)

The Ontario Public Service Employees Union (OPSEU) has made an application to the Ontario Labour Relations Board (OLRB) with respect to salary adjustments made to Agency employees working at one of its managed facilities. While the final outcome of this claim cannot be predicted with certainty, should the OLRB rule in OPSEU's favour, it could have a material impact on the Agency's financial position and results of operations.

b) Letters of Credit

The Agency has a line of credit with the Royal Bank of Canada for $10 million. As of December 31, 2014, $4.5 million of this line of credit has been used to provide letters of credit to municipalities in accordance with the terms of their operations and maintenance agreements.

8. RELATED PARTY TRANSACTIONS

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits obligations have been estimated at $16.3 million (2013 - $16.0 million) of which $3.7 million (2013 - $3.1 million) has been classified as current liability. The amount charged to the income statement in 2014 was $2.3 million (2013 - $3.6 million) and is included in salaries and benefits expense in the Statement of Operations and Changes in Net Assets.

Included in employee future benefits obligation is an estimated workers compensation obligation in the amount of $2.7 million (2013 - $3.3 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2013.

Notes to Financial Statements

December 31, 2014

6. RELATED PARTY TRANSACTIONS (cont'd)

It is management's opinion that the balance at December 31, 2014 will not be materially different. Adjustments to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Agency. The Agency's annual payments of $6.3 million (2013 - $6.3 million), are included in salaries and benefits in the Statement of Operations and Change in Net Assets.

(c) Other

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

(i) The Agency received revenue of $2.6 million (2013 - $2.6 million) from the Ontario Infrastructure and Lands Corporation for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $2.3 million (2013 - $2.6 million) from the Ministry of the Environment and Climate Change (MOECC) for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients. In addition, the Agency received $0.2 million (2013 - $0.1 million) for the Emergency Preparedness Funding.

Notes to Financial Statements

December 31, 2014

8. RELATED PARTY TRANSACTIONS (cont'd)

(iii) The Agency received revenue of $0.7 million (2013 - $0.9 million) from the Ministry of the Northern Development and Mines for water and wastewater treatment services OCWA has provided. The services were provided at competitive rates similar to those of other OCWA clients.

(iv) The Agency has a $120 million loan receivable with Ontario Infrastructure and Lands Corporation, as described in note 3c.

(v) The Agency relies on the Province to process its payroll and administer its benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

(vi) The Agency has a $1.6 million (2013 - $1.5 million) accounts payable to the MOECC for rent proceeds it collects for a property, net of realty taxes paid, managed on behalf of the Ministry.

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PO Box 200 Station Q
Toronto Ontario Canada M4T 2T1

416.484.2600
tvo.org

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 24, 2015.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements. The Audit Committee of the Board meets periodically with management, Internal Audit, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Lisa de Wilde
Chief Executive Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Educational Communications Authority
and to the Minister of Education

I have audited the accompanying financial statements of the Ontario Educational Communications Authority, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Educational Communications Authority as at March 31, 2015 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 24, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

Financial Statements

Statement of Financial Position

As of March 31, 2015

($000s)	**2015**	**2014**
Assets		
Current Assets		
Cash and cash equivalents (note 3)	23,696	20,482
Accounts receivable (note 3)	1,410	2,326
Prepaid expenses	1,043	671
Inventories	148	143
	26,297	**23,622**
Broadcast rights and production costs (note 7)	**21,062**	**19,926**
Investments held for Capital Renewal (note 5)	**5,268**	**5,271**
Net Capital Assets (note 6)	**11,067**	**12,458**
Total Assets	**63,694**	**61,277**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	10,417	8,978
Deferred revenue (note 8)	3,572	2,414
	13,989	**11,392**
Deferred capital contributions (note 9)	9,283	10,868
Employee future benefits (note 4)	20,473	20,520
Asset retirement obligation (note 6)	180	173
	29,936	**31,561**
Net Assets		
Invested in broadcast rights and production costs	21,061	19,924
Invested in capital assets	6,872	6,668
Internally restricted (note 13)	1,916	1,821
Unrestricted	(10,080)	(10,089)
	19,769	**18,324**
Total Liabilities and Net Assets	**63,694**	**61,277**

Commitments and Contingencies (notes 15 and 17)
See accompanying Notes to Financial Statements.

On behalf of the Board:

Chair

Director

Financial Statements

Statement of Operations

For the year ended March 31, 2015

($000s)	**2015**	**2014**
Revenues		
Government operating grants (note 10)	40,046	40,046
Independent Learning Centre (note 16)	12,749	13,188
Other earned revenue (note 12)	7,279	7,476
Bequest (note 13)	95	1,821
Government and corporate project funding (note 11)	117	189
Amortization of deferred capital contributions (note 9)	1,657	1,813
	61,943	**64,533**
Expenses		
Content and programming	18,233	18,451
Technical and production support services	15,297	12,731
Independent Learning Centre (note 16)	10,977	11,390
Management and general expenses	7,114	6,475
Cost of other earned revenue (note 12)	2,444	2,550
Amortization of capital assets and accretion expense (note 6)	3,611	3,530
Employee future benefits (note 4)	2,822	3,769
	60,498	**58,896**
Excess of revenues over expenses	**1,445**	**5,637**

See accompanying Notes to Financial Statements

Financial Statements

Statement of Changes in Net Assets

For the year ended March 31, 2015

($000s)			**2015**		
	Invested in Broadcast Rights and Production Costs	**Invested in Capital Assets**	**Internally Restricted** (note 13)	**Unrestricted**	**Total**
Balance, beginning of year	**19,924**	**6,668**	**1,821**	**(10,089)**	**18,324**
Excess/(deficiency) of revenues over expenses	(6,836)	(2,246)	-	10,527	1,445
Invested in assets during the year	7,973	2,450	-	(10,423)	-
Interfund transfers (note 13)	-	-	95	(95)	-
Balance, end of year	**21,061**	**6,872**	**1,916**	**(10,080)**	**19,769**

($000s)			**2014**		
	Invested in Broadcast Rights and Production Costs	**Invested in Capital Assets**	**Internally Restricted**	**Unrestricted**	**Total**
Balance, beginning of year	**18,233**	**6,242**	**-**	**(11,788)**	**12,687**
Excess/(deficiency) of revenues over expenses	(6,543)	(1,720)	-	13,900	5,637
Invested in assets during the year	8,234	2,146	-	(10,380)	-
Interfund transfers (note 13)	-	-	1,821	(1,821)	-
Balance, end of year	**19,924**	**6,668**	**1,821**	**(10,089)**	**18,324**

See accompanying Notes to Financial Statements

Financial Statements

Statement of Cash Flows

For the year ended March 31, 2015

($000s)	**2015**	**2014**
Operating Activities		
Excess of revenues over expenses	1,445	5,637
Add/(deduct) non-cash items:		
Amortization of capital assets	3,604	3,725
Drawdown of asset retirement obligation	7	(195)
Amortization of deferred capital contributions	(1,657)	(1,813)
Amortization of broadcast rights and production costs	6,837	6,544
Employee future benefits	(47)	923
Loss on disposal of capital assets	291	3
Net changes in non-cash working capital:		
Accounts receivable	916	(1,215)
Inventories	(5)	5
Prepaid expenses	(372)	(22)
Deferred revenue	1,158	391
Accounts payable and accrued liabilities	1,439	(1,170)
Cash provided by operating activities	**13,616**	**12,813**
Capital transactions		
Broadcast rights additions	(7,973)	(8,234)
Proceeds from disposal of capital assets	3	11
Capital asset additions	(2,507)	(2,389)
Cash applied to capital transactions	**(10,477)**	**(10,612)**
Investing and financing transactions		
Current year's deferred capital contributions	75	258
Cash provided by investing and financing activities	**75**	**258**
Net increase in cash position during the year	**3,214**	**2,459**
Cash and cash equivalents, beginning of year	**20,482**	**18,023**
Cash and cash equivalents, end of year	**23,696**	**20,482**

See accompanying Notes to Financial Statements

Financial Statements

Notes to Financial Statements

For the year ended March 31, 2015

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the "Authority") is a Crown Corporation of the Province of Ontario that was created in June 1970 by the Ontario Educational Communications Authority Act. In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields. The Authority is licenced by the Canadian Radio-television and Telecommunications Commission ("CRTC") to broadcast English-language educational television programs. The broadcasting licence is subject to renewal by the CRTC and the current licence is for the period September 1, 2008 to August 31, 2015.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority have been prepared by management in accordance with Canadian Public Sector Accounting Standards for Government Not-for-Profit Organizations.

(b) Inventories held for consumption

Inventories held for consumption, consisting of maintenance supplies and media tapes, are valued at cost where cost is determined on a first-in-first-out basis, net of an allowance for obsolescence.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Capital Assets	
Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture and Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years
Computer Software	3-5 years
ARO (Asset Retirement Obligation) Transmitters	17 years

The Authority reviews the carrying amounts of its capital assets on an annual basis. When a capital asset no longer has any long-term service potential, the Authority will recognize an expense (write-down) equal to the excess of its net carrying amount over any residual value.

Financial Statements

(d) Revenue Recognition

1. The Authority follows the deferral method of accounting for grants and contributions whereby restricted grants, contributions and bequests are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants, contributions and bequests are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period of use as the related capital asset.

3. Revenue from the licensing of program material is recognized when the program material is delivered.

4. Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized equally over the period the sponsorship program is delivered by the Authority.

5. Revenue from sponsorship is recognized when the content is broadcast or webcast.

6. Student fees for courses offered by the Independent Learning Centre (ILC) are recognized as revenue at the time of enrolment. Registration fees for General Education Development (GED) are recognized at the time the test is taken by the registrants.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit pension plans and the related costs, net of plan assets. The following policies have been adopted:

1. The cost of pension benefits and other post-retirement benefits is determined by independent actuaries based on management's best estimate assumptions using the projected benefits method prorated on service.

2. Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.

3. Actuarial gains/(losses) are recognized and amortized over the expected average remaining service period of active plan members.

4. The expected return on plan assets is based on the fair value of plan assets.

(f) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

- Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.

- All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over the following periods:

    - Program licence acquired: term of contract
    - Program produced by the Authority: four years

Financial Statements

(g) Financial Instruments

The Authority's financial instruments are accounted for as follows:

- Cash and short-term investments, including those held for capital renewal, are measured at amortized cost.
- Accounts receivable are stated at amortized cost.
- Accounts payable and accrued liabilities are stated at cost.

(h) Asset Retirement Obligation

Liabilities are recognized for statutory, contractual or legal obligations, associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the asset. The obligations are initially measured at fair value, determined using present value methodology, and the resulting costs capitalized into the carrying amount of the related asset. In subsequent periods, the liability is adjusted for the accretion of discount and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and the discount accretion is included in determining the results of operations. The Authority recognizes a liability for future decommissioning of its transmitter facilities.

(i) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include retirement benefit obligations and useful life of capital assets and broadcast rights. Actual results could differ from those estimates.

(j) Prepaid Expenses

Prepaid expenses include, property tax, cleaning, hydro, software support and other prepaids and are charged to expense over the period the Authority is expected to benefit from the expenditure.

(k) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

3. FINANCIAL INSTRUMENTS

Cash and cash equivalents

The Authority's cash equivalents consist of short-term, high-grade Canadian dollar investments. These investments mature within 365 days and had an average yield of 1.5% (2014 – 1.6%).

Accounts receivable

($000s)	**2015**	**2014**
ILC earned revenue, donations, sales and licensing, tower rentals and transmitter maintenance fees	437	1,492
HST rebate	673	784
Others	300	50
	1,410	**2,326**

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Operating line of credit

As part of its financial arrangements, the Authority negotiated a demand revolving line of credit with CIBC. The maximum available credit under the facility is $1.0 million (2014 – $1.0 million). The line of credit is unsecured and bears interest at the bank's prime lending rate. As at March 31, 2015, no amount (2014 – $0) was outstanding under the facility.

Risk disclosures

(a) Liquidity risk:

Liquidity risk is the risk that the Authority will not be able to meet its cash flow obligations as they fall due. The Authority manages its liquidity risk by monitoring its operating requirements and prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. It is management's opinion that the Authority is not exposed to significant liquidity risk.

(b) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Authority is exposed to credit risk arising from its accounts receivable. Given the amount of the Authority's accounts receivable and past experience regarding payments, management believes that the Authority is not exposed to significant credit risk.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the short-term nature of the Authority's financial instruments, their carrying value approximate fair value and as a result management believes that the Authority is not exposed to significant interest rate risk.

(d) Foreign currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority maintains a U.S. dollar bank account. Its balance was not large enough at any time during the year to expose the Authority to significant currency risks.

It is management's opinion that the Authority is not exposed to significant liquidity, credit, interest rate or currency risk.

4. EMPLOYEE FUTURE BENEFITS

The pension and other post-employment benefit plans have the following components:

(a) Registered pension plans:

- Main Pension Plan – Most employees of the Authority are members of this plan, which consists of three elements – a non-contributory, defined benefit, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.

- Executive Pension Plan – Executives are members of this non-contributory, defined benefit, best average earnings and years of service plan.

(b) Supplementary retirement plan:

- Certain employees are members of this unregistered and non-contributory plan which funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the Federal Income Tax Act.

The employee future benefits payable under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

Financial Statements

Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation for funding purposes of the registered defined benefit pension plans was as of January 1, 2014. The next valuation for funding purposes is no later than as of January 1, 2017.

Information about the Authority's pension and other benefit plans is presented in the following table.

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
($000s)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Plan deficit as of January 1:								
Accrued benefit obligation	96,002	95,812	1,237	953	13,181	11,102	110,420	107,867
Fair value of plan assets	(95,908)	(93,146)	-	-	-	-	(95,908)	(93,146)
	94	2,666	1,237	953	13,181	11,102	14,512	14,721
Balance of unamortized actuarial gains as of January 1	5,551	3,125	243	348	817	3,149	6,611	6,622
Contributions - Jan 1 to Mar 31	(545)	(538)	-	-	(105)	(85)	(650)	(623)
Employee future benefits liability as at March 31	**5,100**	**5,253**	**1,480**	**1,301**	**13,893**	**14,166**	**20,473**	**20,720**

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan		Total	
($000s)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Expenses for the year:								
Defined benefit plan								
Service cost (employer portion)	2,170	2,214	102	108	312	395	2,647	2,729
Amortization of actuarial (gains)/losses	(362)	25	(36)	(8)	(263)	(184)	(661)	(167)
Interest cost on accrued benefit obligation	5,081	5,282	50	45	505	435	6,136	5,762
Expected return on plan assets	(5,464)	(4,305)	-	-	-	-	(5,464)	(4,305)
Plan amendment costs incurred	-	-	-	-	(409)	-	(409)	-
Total defined benefit expense	2,125	3,216	170	205	145	386	2,440	3,807
Defined contribution plan	373	359	-	-	-	-	373	359
Total expenses	**2,498**	**3,575**	**170**	**205**	**145**	**386**	**2,813**	**3,766**
Contributions made to the plans:								
Pension plan contributions - Authority	2,452	2,462	-	44	-	-	2,452	2,506
Pension plan contributions - employees	885	875	-	-	-	-	885	875
Payments made from all the plans as of January 1:								
Pension benefits paid	4,703	4,000	-	-	-	-	4,703	4,000
Termination benefits paid	2,079	5,222	-	-	-	-	2,079	5,222

Financial Statements

The significant assumptions adopted in measuring the employee benefit obligations and pension expenses are as follows:

	Registered Pension Plans		Supplementary Retirement Plan		Post-employment Benefit Plan	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Discount rate to determine the accrued benefit obligation	5.75% to 6.00%	6.00%	3.90%	4.50%	3.90%	4.50%
Discount rate to determine the benefit cost	5.75% to 6.00%	6.00%	3.90%	3.70%	3.90%	3.70%
Investment return	5.75%	6.00%	N/A	N/A	N/A	N/A
Pension indexation	2.25%	2.50%	2.25%	2.50%	N/A	N/A
Salary rate increase	2.00% yr 1, 2.50% thereafter	3.50%	2.00% yr 1, 2.50% thereafter	3.50%	N/A	N/A
Drug cost rate increase	N/A	N/A	N/A	N/A	8.00%	8.00%
Health cost rate increase	N/A	N/A	N/A	N/A	6.50%	6.50%
Dental cost rate increase	N/A	N/A	N/A	N/A	6.50%	6.50%
Average remaining service lifetime (years)	10	10	10	10	12	12

The drug cost rate increase assumption is expected to decrease to 4.5% by 2025.

Defined benefit plan assets as at January 1 measurement date consisted of:

	Percentage of Total Fair Value of Plan Assets	
	2014	**2013**
Asset category		
Equity securities	54%	56%
Debt securities	41%	39%
Real estate fund	5%	5%

The actual investment return on pension plan assets was 7.0% in 2015 (2014 = 16.1%).

5. INVESTMENTS HELD FOR CAPITAL RENEWAL

To ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed, the Capital Renewal Fund was established in 1984. Up to fiscal 2008/09, the Authority set aside up to 2% of the funding received as contribution to the Capital Renewal Fund. Available funds are invested in short-term deposits maturing within 365 days that earned an average interest rate of 1.3% (2014 = 1.4%) during the fiscal year. The changes in the fund are as follows:

($000s)	2015	2014
Balance, beginning of year	5,271	5,642
Project expenses – Digital Over The Air	(75)	(446)
Interest earned	72	75
	5,268	**5,271**

Financial Statements

[illegible]

[illegible]

[illegible]	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Asset Retirement Obligation

[illegible]

[illegible]	[illegible]	[illegible]
Opening balance	[illegible]	[illegible]
Accretion expense	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
Closing balance	[illegible]	[illegible]

Financial Statements

7. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

($000s)			**2015**			**2014**
	Cost	**Accumulated Amortization**	**Net Book Value**	**Cost**	**Accumulated Amortization**	**Net Book Value**
Broadcast rights and completed productions	51,357	33,213	18,144	43,203	26,375	16,828
Work in progress	2,918	-	2,918	3,098	-	3,098
	54,275	**33,213**	**21,062**	**46,301**	**26,375**	**19,926**

Amortization expense for the year was $6,837,000 (2014 – $6,544,000) and is included in Content and Programming expense.

8. DEFERRED REVENUE

($000s)	**2015**	**2014**
ILC – Ministry of Education grant and provincial project funding (note 16)	1,752	1,534
AODA (Accessibility for Ontarians with Disabilities Act) project funding (note 11)	884	-
Bequest (note 13)	639	607
Transmitter tower rental and maintenance	172	135
Sponsorship revenue	100	83
Corporate project funding (note 11)	1	2
Other	24	53
	3,572	**2,414**

Expenditures related to the above deferrals, except for the bequest, have been budgeted for the 2016 fiscal year.

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue (amortization of deferred capital contributions) in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

($000s)	**2015**	**2014**
Deferred capital contributions, beginning of year	**10,868**	**12,794**
Capital assets funded by Ministry of Education grant		
Digital Over The Air project	75	258
Project funding deferred to next year		
Project funding – Digital Over The Air project (note 11)	-	75
Project funding deferred from prior year	(75)	(521)
Interest earned	72	75
Amortization of deferred capital contributions to revenue	(1,657)	(1,813)
Deferred capital contributions, end of year	**9,283**	**10,868**

The Canadian Radio-television and Telecommunications Commission (CRTC) required local television stations in certain areas to stop broadcasting in analog and start broadcasting in digital by August 31, 2011. The Authority received a total grant from the Ministry of Education in 2011 and 2012 of $4.5 million to convert its transmitters into digital and decommission those medium/high power analog transmitter sites that were not required in the ongoing broadcast operation.

Financial Statements

10. GOVERNMENT OPERATING GRANTS

($000s)	2015	2014
Ontario Ministry of Education		
Base grant	38,446	38,446
Capital maintenance grant	1,600	1,600
	40,046	**40,046**

11. GOVERNMENT AND CORPORATE PROJECT FUNDING

($000s)	2015	2014
Provincial project funding		
Ministry of Education		
AODA funding	1,000	-
AODA – Funding deferred to Future year	(884)	-
Digital Over The Air – Funding deferred from prior year (to future year) (note 9)	75	(75)
Deferred capital contributions	(75)	263
	116	**188**
Corporate project funding		
Funding deferred from prior year (note 8)	2	3
Funding deferred to future year (note 8)	(1)	(2)
	1	**1**
Total government and corporate project funding	**117**	**189**

12. OTHER EARNED REVENUE AND COST

($000s)			2015			2014
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Individual and corporate donations	5,101	2,444	2,657	5,448	2,550	2,898
Tower rental and transmitter maintenance	1,012	-	1,012	980	-	980
Interest income	396	-	396	396	-	396
Sales and Licensing	428	-	428	332	-	332
Property tax rebate program for charities	222	-	222	244	-	244
Asset disposal	3	-	3	11	-	11
Others	117	-	117	65	-	65
	7,279	**2,444**	**4,835**	**7,476**	**2,550**	**4,926**

Financial Statements

13. BEQUEST

During the year ended March 31, 2014, The Authority was informed that it was a beneficiary of the estate of a TVO viewer. The donor stipulated in his will that 25% of the bequest be applied toward *The Agenda* program. This restricted portion of the bequest is included in Deferred Revenue in the Statement of Financial Position. Revenue will be recognized in future years when expenditures are incurred toward new projects associated with *The Agenda*.

The Authority has internally restricted the remaining 75% of the bequest for new projects or enhancement of existing products or services as approved by the Board of Directors. This amount is recognized as Bequest revenue in the Statement of Operations and as Internally Restricted Net Assets in the Statement of Financial Position.

Total bequest revenue received during fiscal years 2014 and 2015 has been accounted for as follows:

($000s)	2015	2014	Total
Bequest contributions received or receivable	127	2,428	2,555
Restricted bequest deferred to future year (note 8)	(32)	(607)	(639)
Bequest revenue / Internally Restricted Net Assets	95	1,821	1,916

14. EXPENSES

a) Allocated Expenses

The Authority allocates certain general expenses to major activities on the following bases:

Building cost – based on floor area occupied by the activity
Cost of mailing, shipping and printing – based on usage

Total general expenses allocated to major functional groups are as follows:

($000s)	2015	2014
Current affairs and documentaries	1,946	1,683
Technical and production support services	1,514	1,093
Independent Learning Centre	592	657
Management and general	582	601
Cost of other earned revenue	93	89
	4,727	**4,123**

b) Expenses by Type

The Statement of Operations reports on expenses by activity. Expenses by type during the fiscal year are as follows:

($000s)	2015	2014
Salaries and wages	29,483	28,486
Employee benefits	4,945	4,473
Employee future benefits	2,822	3,769
Licences and other	5,740	5,321
Facilities	4,533	4,650
Transportation and Communication	2,053	2,224
Other services	6,764	5,730
Supplies and equipment	547	713
Amortization of capital assets and accretion expense	3,611	3,530
	60,498	**58,896**

Financial Statements

15. COMMITMENTS

The Authority has entered into operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31 ($000s)	Head Office Space	Others	Total
2016	1,307	637	1,944
2017	1,307	336	1,643
2018	1,353	204	1,557
2019	1,385	-	1,385
2020	1,385	-	1,385
2021 and beyond	10,649	-	10,649
	17,386	**1,177**	**18,563**

The lease of head office space expires on August 31, 2027.

16. THE INDEPENDENT LEARNING CENTRE

The ILC provides a wide range of distance education courses, in English and in French that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day school programs. The General Education Development testing is also available through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC earned revenues. The portion of the grant that has been identified for specific projects is deferred until the related expenses have been incurred.

($000s)	2015	2014
Activities were funded by:		
Ministry of Education ILC grant	6,421	6,421
Homework Help project	4,000	4,000
Funding deferred from prior year (note 8)	1,534	1,534
Funding deferred to a future year (note 8)	(1,752)	(1,534)
ILC grant and project funding recognized	**10,203**	**10,421**
ILC earned revenues	2,546	2,767
Total ILC grant, project funding and earned revenue	**12,749**	**13,188**
Expenses during the year:		
Salaries and benefits	9,206	9,420
Transportation and communication	355	374
Services	588	535
Allocated general expenses (note 14)	592	657
Licences	117	247
Supplies, equipment and others	119	157
Total ILC expenses	**10,977**	**11,390**
ILC contribution to overhead	**1,772**	**1,798**

Direct expenses related to the funding deferred to a future year have been budgeted for the 2016 fiscal year.

Financial Statements

17. CONTINGENCIES

A contingency is an existing situation involving uncertainty as to the possible gain or loss to the Authority, the ultimate outcome of which cannot be predicted with certainty. Contingent losses refer to legal claims that have been made against the Authority, and management does not expect that the outcome of the claims will have a material and adverse effect on its results. Contingent gains refer to an insurance claim resulting from a flood at the Authority's premises on August 27, 2014, which caused water damage to some of the Authority's production equipment. Negotiations are ongoing with the Authority's insurance company.

No amounts have been recognized in the accounts for contingent gains or losses due to the uncertain outcome. Any settlements will be accounted for at the time of settlement.

18. RELATED PARTY TRANSACTIONS

The Authority is a Crown Corporation of the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Specifically, the Authority received revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

Non-grant revenue received from related parties during the year are as follows:

($000s)	**2015**	**2014**
School boards	788	960
	788	**960**

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the basis of the financial statement presentation adopted in the current year.

Ontario Electricity Financial Corporation

Financial Statements

Responsibility for Financial Reporting

The accompanying financial statements of OEFC have been prepared in accordance with Canadian public sector accounting standards and are management's responsibility. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to July 30, 2015.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Treasury Board Secretariat independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board.

The Board is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. The Audit Committee periodically meets with management, the internal auditors and the external auditors to deal with issues raised by them, and to review the financial statements before recommending Board approval.

The financial statements have been audited by the Auditor General of Ontario (the Auditor). The Auditor's responsibility is to express an opinion on whether OEFC's financial statements fairly present OEFC's financial position in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of management:

Gadi Mayman
Vice-Chair and Chief Executive Officer

Ken Kandeepan
Chief Financial Officer

Auditor's Report

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Electricity Financial Corporation

I have audited the accompanying financial statements of the Ontario Electricity Financial Corporation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Electricity Financial Corporation as at March 31, 2015, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Canada
July 30, 2015

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Ontario Electricity Financial Corporation

Statement of Financial Position

As at March 31, 2015 ($ millions)

	2015	2014
ASSETS		
Cash and cash equivalents (Note 4)	$ 1	$ 7
Accounts receivable (Note 5)	440	653
Interest receivable	30	30
Due from Province of Ontario (Note 6)	4,903	3,865
Notes and loans receivable (Note 7)	12,755	13,055
	$ 18,129	$ 17,610
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	$ 128	$ 169
Interest payable	387	415
Debt (Note 9)	25,320	26,111
Power purchase contracts (Note 11)	479	696
	26,314	27,391
UNFUNDED LIABILITY (Notes 1, 3, 13)	$ (8,185)	$ (9,781)

Contingencies and guarantees (Note 14)

Approved on behalf of the Board:

Scott Thompson
Chair

Gadi Mayman
Vice-Chair and Chief Executive Officer

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Statement of Operations

For the year ended March 31, 2015 ($ millions)

	2015	2014
REVENUE		
Debt retirement charge (Notes 1, 13)	$ 956	$ 954
Payments-in-lieu of tax (Notes 1, 13)	180	543
Interest (Note 7)	727	719
Power supply contract recoveries (Note 11)	950	1,296
Net reduction of power purchase contracts (Note 11)	217	243
Electricity sector dedicated income (Notes 6, 13)	1,038	599
Other	9	8
	$ 4,077	$ 4,362
EXPENSE		
Interest on debt	$ 1,385	$ 1,447
Power supply contract costs (Note 11)	950	1,296
Debt guarantee fee	131	136
Operating	6	7
Industrial electricity incentive program costs (Note 12)	9	
	2,481	2,886
Excess of revenue over expense	1,596	1,476
Unfunded liability, beginning of year	(9,781)	(11,257)
Unfunded liability, end of year	$ (8,185)	$ (9,781)

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Statement of Cash Flow

For the year ended March 31, 2015 ($ millions)

	2015	2014
CASH FLOWS USED IN OPERATING ACTIVITIES		
Excess of revenue over expense	$ 1,596	$ 1,476
Adjustments for:		
Payments-in-lieu of tax (Notes 1, 13)	185	(175)
Net reduction of power purchase contracts (Note 11)	(217)	(243)
Electricity sector dedicated income (Notes 6, 13)	(1,038)	(599)
Other items	(33)	(144)
Cash provided from operations	$ 493	$ 315
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issued	$ 1,875	$ 3,381
Long-term debt retired	(2,686)	(4,916)
Short-term debt issued, net	10	260
Note receivable repayment (advance), net	302	(7)
Cash required by financing activities	(499)	(1,282)
Decrease in cash and cash equivalents	(6)	(967)
Cash and cash equivalents, beginning of year	7	974
Cash and cash equivalents, end of year	$ 1	$ 7
Interest on debt paid during the period and included in excess of revenue over expense	$ 1,413	$ 1,506

See accompanying notes to financial statements.

Notes to Financial Statements

1) Electricity Sector Reform

Effective April 1, 1999, pursuant to the *Electricity Act, 1998* (the Act), Ontario Hydro was continued as a corporation without share capital under the name "Ontario Electricity Financial Corporation" (OEFC). It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

OEFC is a Crown agency whose objects include managing the former Ontario Hydro's non-utility generator (NUG) contracts; providing financial assistance to the successor corporations of Ontario Hydro; entering into financial and other agreements relating to the supply and demand management of electricity in Ontario; and managing the debt and administering the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities.

These other successor entities are

- Ontario Power Generation (OPG), an electricity generation company;
- Hydro One, a regulated electricity transmission and distribution company;
- Independent Electricity System Operator (IESO), the regulated, independent system operator responsible for directing system operations, operating the electricity market, planning for and securing resources to meet medium- and long-term energy needs, and coordinating conservation efforts; and
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG and Hydro One (and their subsidiaries) and the IESO for $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. On the same day, the Province of Ontario (the Province) exchanged equity of $5.1 billion and $3.8 billion in OPG and Hydro One respectively for debt payable to OEFC.

The opening stranded debt of $20.9 billion at April 1, 1999 was composed of $38.1 billion in liabilities assumed from the former Ontario Hydro less the value of assets transferred to OEFC at April 1, 1999, including $17.2 billion in notes receivable. After receipt of $1.5 billion in loans receivable and other assets, the opening unfunded liability stood at $19.4 billion. As at April 1, 1999, the present value of future payments-in-lieu (PIL) of taxes and electricity sector dedicated income was estimated at $13.1 billion. Subtracting the $13.1 billion from stranded debt of $20.9 billion resulted in a difference of $7.8 billion, known as residual stranded debt.

The OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities, and from dedicated electricity revenues in the form of PIL of corporate income and property taxes, and gross revenue charges made under the Act by the successor entities and municipal electric utilities. OEFC also receives the Debt Retirement Charge (DRC) paid by electricity consumers at a rate of 0.7 cents/kWh. The *Electricity Act, 1998*, allows for the DRC to be paid until the residual stranded debt is retired.

As included in the *2014 Budget*, the government is moving forward with removing the DRC cost from residential users' electricity bills, after December 31, 2015. The residential rate class accounts for about a third of electricity load subject to the DRC with the remainder of electricity load used by other consumers, such as commercial, institutional and industrial consumers.

The Ontario Financing Authority (OFA), an agency of the Province responsible for borrowing and investing monies for the Province and other public bodies, provides day-to-day management services to OEFC.

On December 9, 2004, the *Electricity Restructuring Act, 2004* was passed, resulting in a combination of a fully regulated and competitive electricity sector with different generators receiving prices set through a variety of mechanisms. Electricity generated from OPG's nuclear and baseload hydro generation assets receive regulated prices, electricity from generators with existing or new contracts receive prices as determined by their contracts, while other generation receives prices set in the electricity spot market. The latter includes OPG's other hydro generation assets, that are not under supply contracts and that received spot market prices until October 31, 2014. Effective November 1, 2014, the Ontario Energy Board established regulated prices for these assets. Consumers pay a blend of these costs, including the pass-through of regulated prices for OPG's regulated plants, and the full costs for existing and new contracts for generation.

The *Electricity Restructuring Act, 2004* also created the Ontario Power Authority (OPA) to ensure an adequate long-term supply of electricity. Pursuant to amendments to the *Electricity Act, 1998* as part of the *Building Opportunity and Securing Our Future Act (Budget Measures), 2014*, the OPA and the IESO amalgamated into a new entity also called the IESO, effective January 1, 2015.

2) Summary of Significant Accounting Policies

Basis of Accounting

As OEFC is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

Net Debt Presentation

A statement of changes in net debt is not presented since this information is readily apparent. Due to the unique nature of the corporation, no budget figures have been provided.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the valuation of the power purchase contracts and payments-in-lieu of tax revenue and tax receivable. Estimates are based on the best information available at the time of preparation of the financial statements.

Revenue Recognition

Revenues are recognized in the period in which they are earned.

Debt
Debt is composed of short, medium and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and, in accordance with Canadian public sector accounting standards, any exchange gains or losses are deferred and amortized over the remaining term to maturity.

Discounts, premiums and commissions arising from the issuance of debt or the acquisition of debt prior to maturity are deferred and amortized to operations over the life of the underlying debt. Unamortized debt issue costs are included in total debt.

Fees and other costs from debt related derivatives are deferred and amortized to operations over the life of the underlying debt. Unamortized amounts are classified under accounts payable and accrued liabilities.

Power Purchase Contracts
The liability for power purchase contracts was originally calculated by discounting estimated losses over the life of the contracts. Under the *Electricity Restructuring Act, 2004*, OEFC began receiving actual contract prices for power from electricity consumers, effective January 1, 2005, and no longer incurs losses on these power purchase contracts. At that time, the Ministry of Finance estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire. As a result, the bulk of the liability is being amortized to revenue over that period.

3) Going Concern

OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable. It is also dependent on the government's long-term plan to defease the unfunded liability as described in Note 13.

4) Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments recorded at cost, which approximates current market value.

5) Accounts Receivable

Accounts receivable at March 31, 2015 is comprised of the following ($ millions):

	2015	2014
Debt retirement charge	$ 137	$ 137
Payments in lieu of tax	207	401
Power supply contract recoveries	80	110
Other receivables	7	6
Total	**$ [illegible]**	**$ [illegible]**

6) Due from the Province

The Province has had a policy commitment from 1999 to allocate annually the combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC. Under these arrangements, the Province recoups all costs associated with its investments in electricity subsidiaries on a cumulative basis before any of the combined net income is allocated to and recognized by OEFC. For the year ended March 31, 2015, for the purposes of Electricity Sector Dedicated Income, OPG and Hydro One earned an aggregate amount of $1,558 million (2014 – $ 1,119 million). After deducting the Province's $520 million interest cost of its investment in these subsidiaries, the Province at its discretion has allocated to OEFC electricity sector dedicated income of $1,038 million (2014 – $599 million) which increased the cumulative amount due from the Province to $4,303 million.

7) Notes and Loans Receivable

($ millions)	Maturity Date	Interest Rate	Interest Payable	March 31, 2015	March 31, 2014
The Province	2039-2041	7.85	Monthly	$ 8,885	$ 8,885
OPG	2015-2042	3.76 to 6.33	Semi-Annually	3,865	3,900
IESO	2017	Variable/2.05	Monthly/ Semi-Annually	120	120
				12,870	12,905
Add: Loans receivable from MEUs				99	93
Total				$ 12,969	$ 12,998

OEFC has agreed with OPG and the IESO not to sell notes owing from these successor entities without their prior approval.

The corporation's interest income for 2015 of $727 million (2014 – $719 million) included interest from notes receivable of $715 million (2014 – $714 million) and $12 million (2014 – $5 million) from other sources including temporary investments.

OEFC has agreed to provide OPG financing for new generation project development in the form of 10-year and 30-year notes on commercial terms and conditions. OEFC agreed to provide for up to $1.6 billion in loans for the Niagara tunnel project and is providing up to $700 million in support of OPG's investment in the Lower Mattagami project. Under these agreements, $1,065 million was advanced for the Niagara Tunnel project, with borrowing under that facility completed. There has been no borrowing to-date by OPG from OEFC for the Lower Mattagami project.

OEFC also agreed to provide to OPG a credit facility for up to $500 million expiring on December 31, 2014 for general corporate requirements, including the definition phase of the Darlington refurbishment project. There was no borrowing under this facility. OEFC has also agreed to provide OPG a credit facility for up to $800 million expiring on December 31, 2016 for general corporate purposes, including the Darlington refurbishment project.

Set out below is a summary by year of maturity of OPG's debt to OEFC ($ millions):

Fiscal Year	Amount
	$
2015-16	200
2016-17	320
2017-18	1,125
2018-19	260
2019-20	505
2020-21	420
2021-22	185
2022-23	130
2023-24	20
2040-41	150
2041-42	350
Total	**$ 3,665**

In April 2014, OEFC refinanced a note receivable with the IESO, originally maturing on April 30, 2014 for an additional 3 years. The refinancing increased the principal outstanding from $78.2 million as at March 31, 2014 to $90 million as at April 30, 2014.

In April 2014, OEFC also extended the expiry date of its revolving credit facility to the IESO to April 30, 2017, and decreased the credit facility from $110 million to $95 million. The credit facility bears interest at a floating rate equal to the Province's cost of borrowing for a 30 day term plus 50 basis points. The facility will be used for liquidity purposes and to temporarily fund working capital requirements. At March 31, 2015, IESO had drawn $30 million on the credit facility.

Loans receivable from NUGs at March 31, 2015 totalled $85 million (2014 – $83 million).

8) Accounts Payable and Accrued Liabilities

Accounts Payable and accrued liabilities at March 31, 2015 is comprised of the following ($ millions):

	2015	2014
Power supply contract costs	$ 93	$ 118
Payments-in-lieu of tax refundable	31	40
Other liabilities	4	11
Total	**$ 128**	**$ 169**

9) Debt

Debt at March 31, 2015, is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

Currency ($ millions)	Canadian Dollars	U.S. Dollars	Other Foreign	2015 Total	2014 Total
Maturing in:					
1 year	$ 3,601	$	$ 83	$ 3,684	$ 4,327
2 years	2,493		480	2,973	2,033
3 years	1,645	295	179	2,119	2,986
4 years	482	74	171	727	2,119
5 years	1,384			1,384	723
1–5 years	9,605	369	913	10,887	12,188
6–10 years	8,839			8,839	8,438
11–15 years	2,317	–	–	2,317	2,519
16–20 years	850	–	–	850	850
21–25 years	1,312	–	–	1,312	1,204
26–50 years	1,157	–	–	1,157	1,007
	$ 24,080	**$ 369**	**$ 913**	**$ 25,362**	**$ 26,206**
Debt issue costs				**(42)**	**(95)**
Total				**$ 25,320**	**$ 26,111**

The effective rate of interest on the debt portfolio was 5.17 per cent after considering the effect of derivative instruments used to manage interest rate risk (2014 – 5.47 per cent). The longest term to maturity is to December 2, 2046. Total foreign currency denominated debt at March 31, 2015 was $1.3 billion, 100 per cent of which was fully hedged to Canadian funds (2014 – $1.8 billion or 100 per cent). Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

	March 31, 2015			March 31, 2014		
($ millions)	**Held by the Province**	**Guaranteed by the Province**	**Total**	**Held by the Province**	**Guaranteed by the Province**	**Total**
Short-term debt	$ 1,651	–	$ 1,651	$ 1,641	–	$ 1,641
Current portion of long-term debt	2,033		2,033	2,038	648	2,686
Long-term debt	15,326	6,310	21,636	15,474	6,310	21,784
Total	**$ 19,010**	**$ 6,310**	**$ 25,320**	**$ 19,153**	**$ 6,958**	**$ 26,111**

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt at March 31, 2015, was $31.1 billion (2014 – $30.5 billion). This is higher than the book value of $25.3 billion (2014 – $26.1 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

10) Risk Management and Derivative Financial Instruments

OEFC operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used including the use of derivative financial instruments ("derivatives"). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, derivative contracts are used to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency debt principal, net of foreign currency holding, to reach a maximum of 5.0 per cent of total debt. At March 31, 2015, the actual unhedged level was 0.0 per cent of total debt (2014 – 0.0 per cent).

Net interest rate resetting risk is the exposure to changes in interest rates. Exposure to rate changes is reduced by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt and fixed rate debt maturing within the next 12 months, net of liquid reserves, to reach a maximum of 35.0 per cent of total debt.

At March 31, 2015, net interest rate resetting risk as a percentage of total debt was 20.4 per cent (2014 – 21.4 per cent).

Liquidity risk is the risk OEFC will not be able to meet its current short-term financial obligations. As explained in Note 3, OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2015, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value

As at March 31, 2015 ($ millions)

Maturity in years Fiscal year	2016	2017	2018	2019	2020	6–10 Years	Over 10 Years	Total	March 2014
Cross-currency swaps	$ 83	$ 755	$ 660	$ 203	$	$	–	$ 1,701	$ 2,193
Interest rate swaps	234	1,123	613	698		100	$ 653	3,421	5,719
Forward foreign exchange contracts	530	–	–	–	–	–	–	530	516
Total	**$ 847**	**$ 1,878**	**$ 1,273**	**$ 901**	**$**	**$ 100**	**$ 653**	**$ 5,652**	**$ 8,428**

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2015.

Credit Risk Exposure ($ millions)	**March 31, 2015**	**March 31, 2014**
Gross credit risk exposure	$ 248	$ 225
Less: Netting	(202)	(170)
Net credit risk exposure	**$ 46**	**$ 55**

OEFC manages its credit risk exposure from derivatives by, among other ways, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, OEFC enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross credit risk exposure represents the loss OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions.

11) Power Supply Contracts

Power supply contracts include both power purchase contracts and power supply support agreements. Power purchase contracts and related loan agreements were entered into by the former Ontario Hydro with NUGs located in Ontario. As the legal continuation of the former Ontario Hydro, OEFC is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provide for the purchase of power at prices in excess of future market price. Accordingly, a liability was recorded at $4,286 million on a discounted cash-flow (DCF) basis when the former Ontario Hydro was continued as OEFC on April 1, 1999.

Under legislated reforms to the electricity market, OEFC began receiving actual contract prices for power from ratepayers effective January 1, 2005, and no longer incurs losses on these contracts going forward. At that time, the Ministry of Finance estimated the bulk of the liability to be eliminated over 12 years as existing electricity contracts expire. As a result, the Corporation is amortizing the bulk of the liability to revenue over that period.

In addition, effective January 1, 2009, OEFC entered into a support contract, the Contingency Support Agreement (CSA), with OPG whereby OPG agreed to maintain the reliability and availability of Lambton and Nanticoke coal-fired stations following implementation of a greenhouse gas emissions-reduction strategy. Under the contract, OEFC agreed to ensure OPG would recover the actual costs of operating the stations after implementing this strategy. Any costs to OEFC under this agreement are fully recovered from ratepayers. As at December 31, 2013, OEFC triggered an early termination clause in the CSA to reflect the advanced closure of these plants by one year to the end of 2013. OPG is allowed to recover actual costs that cannot reasonably be avoided or mitigated, during the period from the early shut down date until December 31, 2014, consistent with the original end date of the CSA.

During the year ended March 31, 2015, OEFC's costs under power supply contracts totalled $950 million, including purchases of power from NUGs of $902 million (2014 – $997 million) and OPG support contract costs of $48 million (2014 – $299 million).

Statement of Liability for Power Purchase Contracts
As at March 31, 2015 ($ millions)

	2015	2014
Liability, beginning of year	$ 696	$ 939
Amortization	(217)	(243)
Liability, end of year	**$ 479**	**$ 696**

12) Industrial Electricity Incentive Program Costs

Consistent with its objects, OEFC is supporting the IESO's electricity demand management program, the Industrial Electricity Incentive (IEI) program. The IEI program assists with the management of electricity demand by encouraging increased industrial production through electricity-based price adjustments. Offered in three streams, qualified participants can receive reduced electricity rates for eligible incremental consumption over a specified term.

On March 31, 2014, OEFC entered into a legal agreement with the former OPA to support Stream 1 and Stream 2 of the IEI program, and amended on May 13, 2015, to accommodate the new Stream 3. Subsequent to the January 1, 2015 merger of the IESO and the OPA into a new entity, also called the IESO, the contract is now between the IESO and the OEFC. OEFC is providing payments to the IESO to offset the cost of the DRC portion of the electricity bill paid to OEFC on IEI-eligible incremental consumption by IEI participants. The agreement is currently set to be effective until December 31, 2024, when Stream 3 is set to end, with contracts subject to various termination clauses. The IESO has not executed any Stream 1 contracts.

13) Unfunded Liability

Pursuant to the Act and consistent with the principles of electricity restructuring, the government has a long-term plan to defease the unfunded liability from the electricity sector. The plan includes allocation of revenues from the following sources:

Notes receivable from the Province of $8.9 billion, OPG of $3.4 billion, Hydro One of $4.8 billion and IESO for $0.1 billion, for a total of $17.2 billion as at April 1, 1999 as a result of the transfer of assets to successor companies;

PIL of corporate income and property taxes, and gross revenue charges made by OPG, Hydro One and municipal electric utilities;

DRC paid by ratepayers based on the consumption of electricity; and

Electricity Sector Dedicated Income Consistent with the government's commitment to keep electricity income in the electricity sector, the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries is allocated by the Province to help retire OEFC's debt.

14) Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business. For some claims which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999, OPG or Hydro One is required to indemnify OEFC for any liability arising from the claim. There are currently no such claims. For claims on which OEFC is provided no indemnification and where the outcome and ultimate disposition of these legal actions is not determinable at this time, the settlements, if any, will be reflected in the period in which settlement occurs.

Subject to a $10 million deductible, OEFC has agreed to indemnify Hydro One in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the company at April 1, 1999, and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province has guaranteed any liability arising from these indemnifications. A similar indemnity provided to OPG was terminated as of May 31, 2006.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase agreements described in Note 11. These guarantees total approximately $4 million at March 31, 2015 (2014 – $9 million).

Under a decision dated March 12, 2015 the Ontario Superior Court of Justice found that following the enactment of Ontario Regulation 398/10 under which the allocation of the Global Adjustment among electricity consumers was changed effective as of January 1, 2011, the Corporation had incorrectly calculated the price indices under certain power purchase agreements between the Corporation and the applicant non-utility generators (NUGs). The

Corporation has filed an appeal of the judgement which is expected to be heard before the end of 2015. Management is of the view that there are strong grounds for the appeal. In the event that the appeal is not successful, pursuant to the judgement, the amounts that would be paid by the Corporation with respect to the applicant NUGs is estimated to be $130 million, fully charged to the Global Adjustment. Therefore, no amount has been provided in these financial statements.

15) Related Party Transactions

In the normal course of operations, OEFC has transactions with the following related parties. All material transactions have been disclosed in the notes to the financial statements. Each of the following entities is included in the Province's financial statements:

a) Province of Ontario
b) Ontario Power Generation Inc.
c) Hydro One Inc.
d) Independent Electricity System Operator
e) Ontario Financing Authority
f) Ontario Power Authority

Effective January 1, 2015, the Independent Electricity System Operator and the Ontario Power Authority merged into an amalgamated entity, also called the Independent Electricity System Operator.

16) Subsequent Events

On April 16, 2015, the Province announced that it intends to proceed in 2015-16 with an IPO of 15 per cent of Hydro One. The Budget 2015 bill, *Building Ontario Up Act, 2015* included an amendment to the *Electricity Act, 1998* to ensure that the net benefits of selling shares in Hydro One are recognized by OEFC, thus contributing to the continuing reduction of its unfunded liability. Doing so would also help to offset impacts on residual stranded debt from a reduction in the projected present value of future dedicated revenues to OEFC related to Hydro One. Following the completion of any share sales, the Minister of Finance would assess associated impacts as part of the annual determination of residual stranded debt and the estimated timing of its retirement.

Ontario Energy Board

Financial Statements

Management's Responsibility

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Ontario Energy Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Ontario Energy Board's assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Ontario Energy Board's Management Committee. In addition the financial statements have been audited by the Auditor General of Ontario, whose report follows.

Julie

Julie Mitchell
Vice President, People Culture & Business Solutions
July 22, 2015

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Energy Board

I have audited the accompanying financial statements of the Ontario Energy Board, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Energy Board as at March 31, 2015 and the results of its operations, its net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
July 22, 2015

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15^{e} étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Ontario Energy Board

STATEMENT OF FINANCIAL POSITION

As of March 31, 2015

	2015 **$**	**2014** **$**
ASSETS		
Current Assets:		
Cash (note 9)	3,615,083	5,445,468
Investments - current (note 9)	946,984	-
Accounts receivable (note 9)	828,447	583,197
Regulatory process costs to be assessed (note 9)	5,032,324	1,203,693
Deposits and prepaid expenses	395,349	375,153
Total Current Assets	10,818,187	7,607,511
Long-term Assets:		
Investments - long-term (note 9)	3,940,356	4,992,918
Capital assets (note 5)	3,168,747	3,660,389
Total Long-term Assets	7,109,103	8,653,307
TOTAL ASSETS	**17,927,290**	**16,260,818**
LIABILITIES		
Current Liabilities:		
Deferred revenue (note 3b)	26,034	398,876
Accounts payable and accrued liabilities	6,721,191	6,670,019
Total Current Liabilities	6,747,225	7,068,895
Long-term Liabilities:		
Deferred revenue related to capital assets (note 3c)	1,924,415	2,154,092
Deferred rent inducement (note 8)	1,606,427	1,944,599
Pension liability (note 6b)	323,419	314,503
Total Long-term Liabilities	3,854,261	4,413,194
TOTAL LIABILITIES	**10,601,486**	**11,482,089**
Operating Reserve (note 4)	5,019,974	3,347,318
Net Assets:		
Internally Restricted Net Assets (note 7)	2,305,830	1,431,411
TOTAL LIABILITIES, RESERVE AND NET ASSETS	**17,927,290**	**16,260,818**

See accompanying notes to financial statements

On behalf of the Management Committee:

Rosemarie Leclair
Chair

Ken Quesnelle
Vice-Chair

Ontario Energy Board

STATEMENT OF OPERATIONS AND NET ASSETS

Year Ended March 31, 2015

	2015 $	2014 $
REVENUES		
Recovery of Costs:		
General cost recovery (note 3a)	31,066,833	32,487,601
Regulatory process costs	5,040,662	1,455,041
Amortization of deferred revenue related to capital assets	930,593	1,112,702
Total Revenues from Recovery of Costs	37,038,088	35,055,344
Other Revenues:		
Administrative penalties and interest (note 7)	874,419	309,547
Licence fees	362,400	362,500
Interest income	126,644	166,050
Miscellaneous income	8,575	1,592
Total Other Revenues	1,372,038	839,689
TOTAL REVENUES	**38,410,126**	**35,895,033**
EXPENSES		
Salaries and benefits	25,073,024	26,090,752
Consulting and professional	6,578,220	3,748,892
Premises	2,606,091	2,541,453
Information technology	790,760	668,249
Office and administration	557,333	427,339
Publications, media and publishing	511,213	436,299
Meetings, training and travel	488,473	509,815
Amortization of capital assets paid by Board	930,593	1,112,702
TOTAL EXPENSES	**37,535,707**	**35,535,501**
EXCESS OF REVENUES OVER EXPENSES	**874,419**	**359,532**
Net Assets, beginning of period	1,431,411	1,071,879
NET ASSETS, end of period (note 7)	**2,305,830**	**1,431,411**

See accompanying notes to financial statements

Ontario Energy Board

STATEMENT OF CASH FLOWS

Year Ended March 31, 2015

	2015 $	2014 $
Net inflow (outflow) of cash related to the following activities:		
OPERATING		
Assessment billed	31,394,907	33,249,252
Regulatory process costs revenue	5,040,082	1,455,041
Other revenues	1,372,038	693,089
Expenses	(37,535,707)	(35,388,921)
	271,900	8,461
Adjustment for Non-cash Expenses		
Amortization of capital assets paid by Board	930,593	1,112,702
Amortization of leasehold improvements paid by Landlord	261,965	261,964
Deferred rent inducement	(338,172)	(338,172)
	854,386	1,036,494
Changes in Non-cash Working Capital		
Accounts receivable	(245,293)	57,542
Regulatory process costs to be assessed	(3,829,631)	(80,762)
Deposits and prepaid expenses	(20,198)	(119,863)
Operating reserve	1,672,696	(6,293)
Accounts payable and accrued liabilities	51,172	(38,634)
Pension liability	8,916	(18,568)
	(2,361,333)	(210,534)
Net Cash from Operating Activities	**(1,235,047)**	**834,421**
INVESTING		
Investments	105,578	(235,115)
Net Cash Used in Investing Activities	**105,578**	**(235,115)**
CAPITAL		
Capital asset purchases	(700,916)	(586,701)
Net Cash Used in Capital Activities	**(700,916)**	**(586,701)**
NET CHANGE IN CASH	(1,830,385)	12,605
Cash, beginning of period	5,445,468	5,432,863
Cash, end of period	**3,615,083**	**5,445,468**

See accompanying notes to financial statements

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

1. Nature of the Corporation

The Ontario Energy Board (the "OEB") is the regulator of Ontario's natural gas and electricity industries. The OEB also deals with energy matters referred to it by the Minister of Energy and the Minister of Natural Resources.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998* (the "OEB Act"), the OEB was continued as a corporation without share capital empowered to fully recover its costs from natural gas and electricity industry participants.

As an agent of Her Majesty in right of Ontario, the OEB is exempted from federal and provincial income taxes under the *Income Tax Act*.

The OEB is classified as a government not-for-profit organization for accounting purposes.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PS), which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada. The OEB has elected to use the standards for government not-for-profit organizations that include sections PS 4200 to PS 4270.

Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

Revenues received in the 2014-15 fiscal year that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue is matched to the expenses of the OEB as follows:

- General cost recovery under S.26 of the OEB Act related to the expenses of the OEB is recognized as revenue to the extent that they are in excess of regulatory process costs (S.30), amortization of deferred revenue related to capital assets and other revenues. Revenue assessed in excess of actual cost in 2014-15 is deferred and recognized in fiscal year 2015-16 and referred to as a true-up (note 3b).
- Revenue from administrative penalties assessed against market participants under s. 112.5 of the OEB Act is recognized in the year the OEB accepts an assurance of voluntary compliance or issues the enforcement order for the

Ontario Energy Board
Notes to the Financial Statements
March 31, 2019

amount identified, provided that the order is not under appeal and a reasonable estimate can be made and collection is reasonably assured. If the order is appealed, revenue will be recognized in the year in which all rights of appeal are exhausted and the order becomes final. Revenue from administrative penalties is not used to reduce the costs assessed under the OEB's Cost Assessment Model, but used to support activities relating to consumer education, outreach and other activities in the public interest. Both administrative penalties and their related expenses are reflected in the Statement of Operations and Net Assets and are reflected as internally restricted net assets summarized in note 7 of the financial statements.

- Deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3c).

- Regulatory process costs are recognized as revenue when related expenses are incurred.

- Other revenues are recognized when received and receivable.

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and related software	3 years
Audio visual equipment	3 years
Leasehold improvements	over remainder of lease

c) Financial Instruments

The OEB's financial instruments are initially measured at their fair value and subsequently measured in one of the following categories (i) fair value or (ii) cost or amortized cost. The OEB uses fair value for the subsequent measurement of cash, accounts receivable, regulatory process costs to be assessed, accounts payable and accrued liabilities. The OEB's short and long term investments are subsequently measured at amortized cost.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

d) Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards (PS) requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

e) Employee Pension Plans

The OEB's full-time employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the OEB's annual payments to the Fund. Since the OEB is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OEB, as the sponsor is responsible for ensuring that the pension funds are financially viable. The OEB's expense is limited to the required contributions to the Fund as described in note 6a.

The OEB also manages a supplementary unfunded pension plan for a former Chair as described in note 6b. The OEB accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method, prorated on management's best estimate assumptions.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

3. Industry Assessments for 2014-15

During the 2014-15 fiscal year, the natural gas and electricity industry participants were assessed estimated costs for the 2014-15 fiscal year based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The 2014-15 true-up will be used to reduce the 2015-16 fiscal year assessment. The calculation of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

a) 2014-15 General cost recovery

Salaries and benefits	$25,073,024
Consulting and professional	6,578,220
Premises	2,606,091
Information technology	790,760
Office and administration	557,333
Publications, media and publishing	511,213
Meetings, training and travel	488,473
Amortization of capital assets paid by the OEB	930,593
Total expenses	37,535,707
Regulatory process costs, amortization of deferred revenue related to capital assets, other revenues and expenses related to administrative penalties revenues	(6,468,874)
General cost recovery at March 31, 2015	**$31,066,833**

b) 2014-15 Current Deferred Revenue (2014-15 True-up)

General cost recovery (note 3a)	$31,066,833	
2014-15 Capital expenditures paid by the OEB	700,916	
Operating reserve adjustment	1,672,656	
Total assessment (actual)		33,440,405
Total assessment (budget)		33,466,439
2014-15 Current deferred revenue (2014-15 True-up)		**$26,034**

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

c) 2014-15 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for $3,540,400 of leasehold improvements on behalf of the OEB since the start of the lease on January 1, 2005.

Net book value of capital assets 2014-15 (note 5)	$3,168,747
Net book value of leasehold improvements paid by landlord (note 5)	(1,244,332)
2014-15 Deferred revenue related to capital assets	**$1,924,415**

4. Operating Reserve

As part of its self-financing status, the OEB established an operating reserve, which is adjusted on an annual basis. The primary objective of maintaining this reserve is to fund the OEB's operations in the event of revenue shortfalls or unanticipated expenditures. It is to be used for cash flow management and to support working capital requirements.

Based on the review of cash flow history, the OEB has increased the operating reserve to the maximum allowable of 15% from 10% of the OEB's current annual funding requirement. This operating reserve level is expected to be maintained in fiscal year 2015-16.

2014-15 Operating reserve

Operating reserve as at March 31, 2014	$3,347,318
Adjustment to the operating reserve	1,672,656
Operating reserve as at March 31, 2015	**$5,019,974**

The OEB is not subject to any externally imposed reserve requirements.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

5. Capital Assets

	Cost	Accumulated amortization	Net book value 2015	Net book value 2014
Office furniture and equipment	$2,804,730	$2,741,868	$62,862	$143,435
Computer equipment and related software	11,967,581	10,731,222	1,236,359	1,281,523
Audio visual equipment	895,490	882,341	13,149	21,617
Leasehold improvements paid by OEB	1,331,012	718,967	612,045	707,517
Leasehold improvements paid by Landlord	3,540,400	2,296,068	1,244,332	1,506,297
Total	**$20,539,213**	**$17,370,466**	**$3,168,747**	**$3,660,389**

6. Employee Future Benefits

a) The OEB's contribution to the Public Service Pension Plan for the 2014-15 fiscal year was $1,497,979 (2014 - $1,459,529), and is included in salaries and benefits costs on the Statement of Operations and Net Assets.

b) The unfunded supplemental pension plan for a former Chair had an accrued total benefit obligation of $323,419 (2014 - $314,503) and an accrued benefit liability with respect to the OEB of $323,419 (2014 - $314,503). The OEB's related expense for the year was $8,916 (2014 – negative $18,544) and is reflected in salaries and benefits costs. No benefits were paid during the year (2014 - $0). The significant actuarial assumptions adopted at March 31, 2015 included a discount rate of 1.75% (2014 - 2.75%).

c) The OEB is not responsible for the cost of employee post-retirement and non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

7. Internally Restricted Net Assets

The internally restricted net assets at March 31, 2015 represent revenue from administrative penalties assessed against individual market participants under s. 112.5 of the *Ontario Energy Board Act, 1998*. According to the OEB Cost Assessment Model, revenue from administrative penalties will not be used to reduce payments under the general assessment. Revenue from administrative penalties plus any related interest revenue is internally restricted by the Management Committee to support activities relating to consumer education, outreach and other activities in the public interest.

The changes in internally restricted net assets are as follows:

Balance, beginning of the year		$1,431,411
Administrative penalties issued in 2014-15	$850,000	
Interest revenue from administrative penalties	24,419	
Administrative penalties and interest		874,419
Expenses incurred		0
Balance, end of the year		$2,305,830

8. Deferred Rent Inducement and Operating Lease Commitments

The OEB entered into a lease commitment for its office space during the 2004-05 fiscal year, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

	2015	2014
Balance, beginning of the year	$1,944,599	$2,282,771
Less: Amortization of deferred rent inducement netted against premises expense	(338,172)	(338,172)
Balance, end of the year	**$1,606,427**	**$1,944,599**

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

The minimum annual payments under the operating lease, expiring December 31, 2019 for the remaining 5 years and in aggregate are as follows:

March 31, 2016	$2,779,624
March 31, 2017	2,867,089
March 31, 2018	2,958,928
March 31, 2019	3,055,359
December 31, 2019	2,347,770
Total	**$14,008,770**

9. Financial Instruments

Interest rate risk:

The OEB's financial assets and liabilities are not exposed to significant interest rate risk. The OEB has three Ontario Government bonds with maturities of September 2015, September 2016, and March 2017 and effective yields of 1.42%, 1.80% and 1.48% respectively. Cash balances earn interest at a rate of 1.00% to 1.15% (2014 – 1.15%). The average cash balance interest rate for the year was 1.12% (2014 – 1.15%).

A 25 basis point change in the interest rate would impact the OEB's operating surplus by $14,936 (2014 - $16,418).

Currency risk:

The OEB's exposure to currency risk is minimal as few transactions are in currencies other than Canadian dollars.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

Credit risk:

The OEB's exposure to credit risk is minimal as the OEB's cash and Ontario Government bonds which have relatively short maturity spans are held with a leading Canadian bank. The OEB has minimal credit risk exposure in regard to accounts receivable due to high historical collection rates. Below the accounts receivable aging is summarized:

	Current	+60 Days	+90 Days	Total
Regulatory process costs	$166,858	$11		$166,869
General cost recovery		1,524	$636	2,160
HST recovery	654,259			654,259
Interest receivable	5,159			5,159
Total	$826,276	$1,535	$636	$828,447

The OEB also has minimal credit risk exposure in regard to the $5,032,324 (2014 - $1,203,693) of regulatory process costs to be assessed due to high historical collection rates. Regulatory process costs to be assessed are costs incurred by the OEB which will be invoiced in a future fiscal year after March 31, 2015.

Liquidity risk:

The OEB's exposure to liquidity risk is minimal as the OEB has a sufficient cash balance to settle all current liabilities and all three Ontario Government bonds are readily convertible into cash at any time without penalty. As of March 31, 2015, the OEB had a cash balance of $3,615,083 (2014 - $5,445,468) and all three Ontario Government Bonds totaling $4,887,340 (2014 - $4,992,918) to settle current liabilities of $6,747,225 (2014 - $7,068,895).

10. Related Party Transactions

The Province of Ontario is a related party as it is the controlling entity of the OEB. Therefore the Independent Electricity System Operator (IESO), Ontario Power Generation (OPG), Hydro One and multiple Provincial Government Ministries are related parties of the OEB, through the common control of the Province of Ontario. The total related party transactions are revenues of $14,453,866 (2014 - $14,867,710). Related party transactions pertaining to employee future benefits are disclosed in note 6.

Ontario Energy Board
Notes to the Financial Statements
March 31, 2015

11. Contractual Commitment

The Ministry of Energy has introduced a program to provide financial assistance to low-income Ontarians regarding their electricity costs. The Ontario Electricity Support Program (OESP) is expected to come into effect on January 1, 2016. The known contractual commitment at this time to administer the OESP is estimated to be $14 million over a five year period starting in FY 2015-16 and ending FY 2020-21. The Independent Electricity System Operator (IESO) will reimburse all development and implementation costs incurred by the OEB.

ONTARIO FINANCING AUTHORITY
Financial Statements
Responsibility for Financial Reporting

The accompanying Financial Statements of the OFA have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 12, 2015.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee of the Board.

The Board, through the Audit and Risk Management Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit and Risk Management Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The Financial Statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Gadi Mayman
Chief Executive Officer

Ken Kandeepan
Chief Financial Officer

Auditor's Report

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

**To the Ontario Financing Authority
and to the Minister of Finance**

I have audited the accompanying financial statements of the Ontario Financing Authority, which comprises the statement of financial position as at March 31, 2015, and the statements of operations and change in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Financing Authority as at March 31, 2015 and the results of its operations and change in net assets and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 12, 2015

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Statement of Financial Position

As at March 31, 2015

(in thousands of dollars)		2015		2014
FINANCIAL ASSETS				
Cash	$	15,278	$	*12,083*
Due from agencies & related parties (Note 4)		2,841		*2,604*
Due from the Province of Ontario		1,797		*1,780*
		19,916		*16,467*
LIABILITIES				
Accounts payable		1,797		*1,780*
Due to the Province of Ontario		1,341		*1,329*
Deferred revenue (Note 3)		1,633		*1,747*
		4,771		*4,856*
Net financial assets		**15,145**		**11,611**
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 2)		1,261		*1,487*
Prepaid expenses		372		260
		1,633		1,747
Accumulated surplus	$	**16,778**	$	***13,358***

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Scott Thompson
Chair

Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY
Statement of Operations
For the year ended March 31, 2015

(in thousands of dollars)	2015 Budget	2015 Actual	2014 Actual
REVENUE			
Cost recovery from the Province of Ontario (Note 6)	$ 20,371	$ 17,517	$ 18,260
Cost recovery from Agencies & related parties (Note 6)	4,808	5,345	4,347
Amortization of deferred capital contributions (Note 5)	847	789	852
Interest revenue (Note 3)	3,032	2,920	3,762
	29,058	26,571	27,221
EXPENSES			
Salaries, wages and benefits	20,420	16,986	16,626
Administrative and general	4,759	5,876	5,981
Amortization of tangible capital assets (Note 5)	847	789	852
	26,026	23,651	23,459
Operating surplus	3,032	2,920	3,762
Accumulated operating surplus at beginning of year	13,858	13,858	10,096
Accumulated operating surplus at end of year	$ 16,890	$ 16,778	$ 13,858

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY
Statement of Change in Net Assets
For the year ended March 31, 2017

(in thousands of dollars)	2017 Budget	2017 Actual	2016 Actual
Operating Surplus	$ 5,092	$ 5,420	$ 3,362
Acquisition of tangible capital assets (Note 5)	(783)	(523)	(645)
Amortization of tangible capital assets (Note 5)	867	789	832
Prepaid expenses	–	(112)	(30)
Change in net financial assets	5,176	5,574	3,519
Net financial assets at beginning of year	11,611	11,611	8,092
Net assets at end of year	$ 16,787	$ 17,185	$ 11,611

See accompanying notes to financial statements

ONTARIO FINANCING AUTHORITY

Statement of Cash Flow

For the year ended March 31, 2015

(in thousands of dollars)		2015		2014
Operating transactions				
Annual Surplus	$	3,420	$	3,142
Amortization of Tangible Capital Assets		789		832
Decrease in due from agencies & related parties		(237)		(204)
(Increase)/decrease in due from the Province		(17)		(74)
Decrease in Accounts Payable		17		(2,110)
Increase in prepaid expenses		(112)		(10)
Increase in recoveries payable to the Province		12		57
Decrease in deferred revenue		(114)		(177)
Cash provided by operating transactions		3,758		1,456
Capital transactions				
Cash used to acquire tangible capital assets		(563)		(645)
Cash applied to capital transactions		(563)		(645)
Increase in cash		3,195		811
Cash at beginning of year		12,083		11,272
Cash at end of year	$	**15,278**	$	**12,083**

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2015

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency, of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario ("the Province");
- manages the Provincial debt;
- provides financial and centralized cash management services for the Province;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: Because the OFA is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

Tangible capital assets: Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset, as listed below.

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease

Funding received from the Province and the Agencies for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the tangible capital assets.

Measurement uncertainty: The preparation of these financial statements requires management to make estimates that are based on the best information available at the time of preparation of the financial statements.

2. TANGIBLE CAPITAL ASSETS

The net book value (NBV) of tangible capital assets is as follows:

(in thousands of dollars)

	Cost	Accumulated Amortization	NBV March 31, 2015	NBV March 31, 2014
Furniture and equipment	$ 1,068	$ 1,057	$ 11	$ 26
Computer hardware	13,072	12,227	845	905
Leasehold improvements	1,833	1,428	405	556
Total	$ 15,973	$ 14,712	$ 1,261	$ 1,487

3. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province and the Agencies for the acquisition of tangible capital assets as well as prepaid expenses to be allocated over the period the resources are consumed.

(in thousands of dollars)

	Tangible Capital Assets	Prepaid Expenses	Total
Balance, beginning of year	$ 1,487	$ 260	$ 1,747
Additions	563	549	1,112
Amortization	(789)	–	(789)
Expensed in the current year	-	(437)	(437)
Balance, end of year	$ 1,261	$372	$ 1,633

Amortization of $789,000 represents the offset to the contributions received for the purchase of tangible capital assets. The $437,000 expensed represents the amount allocated to the current year expenses from the prepaid expenses.

4. DEBT AND INVESTMENT MANAGEMENT FOR THE PROVINCE

The OFA manages debt amounting to $314.5 billion, interim, as at March 31, 2015 (March 2014 – $295.8 billion) and investments amounting to $43.3 billion as at March 31, 2015 (March 2014 – $40.9 billion) on behalf of the Province, including the joint management of funds owned by Ontario Power Generation Inc. (OPG) under the *Ontario Nuclear Funds Agreement*. The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2015 was $17.5 million (March 2014 – $18.3 million).

5. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province. As the OFA is directed by the Province to make these loans in furtherance of stated Provincial initiatives, and these loans are included in the Province's consolidated financial statements, these transactions are not reflected in these financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating $14.5 billion expiring from 2027 to 2040. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies will generally be slightly higher than the rate charged on the advances from the Province to fund the loans ("the spread").

The OFA will generally retain a portion of the spread in order to recover the administrative costs of managing these loans. The spread retained by the OFA includes a cost recovery component and, where applicable, a proxy commercial interest rate spread. The inclusion of the proxy commercial spread results in an interest rate equivalent to what would be charged on the loan by a commercial lender and reflects the relative risk associated with the loan. During the year ended March 31, 2015, $3.4 million in interest rate spread revenue was recognized (2014 – $3.3 million) of which $1.5 million in receivable at year end (2014 – $1.3 million).

As at March 31, 2015, the principal amounts receivable by the OFA on behalf of the Province represent debentures and short term loans. In addition to the outstanding loans below, interest accrued on these loans amounted to $95.6 million (March 2014 – $95.0 million), of which $94.6 million (2014 - $93.7 million) will be flowed to the Province.

These are related party transactions, with the exception of those with the Corporation of the City of Windsor and the University of Ontario Institute of Technology.

(in thousands of dollars)

	March 31, 2015	March 31, 2014
Centennial Centre of Science and Technology	$ 1,000	$ 1,500
Colleges of Applied Art and Technologies	227,876	218,934
Corporation of the City of Windsor	11,556	13,097
Niagara Parks Commission	5,183	5,476
Ontario Infrastructure and Lands Corporation	10,000	25,000
Ontario Lottery and Gaming Corporation	29,706	32,279
Ontario Northland Transportation Commission	3,317	5,572
Ottawa Convention Centre Corporation	43,825	41,869
Royal Ontario Museum	33,345	35,507
School Boards	5,608,444	5,575,202
University of Ontario Institute of Technology	15,412	19,922
Total	**$ 5,989,664**	**$ 5,974,358**

Loans to Public Bodies by the Province:

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act, 1990*. The $1.0 million (March 2014 – $1.5 million) loan made to fund the construction of the Agents of Change project, bears interest at 4.35 per cent and matures in March 2017.

Colleges of Applied Art and Technologies have been loaned $227.9 million (March 2014 – $218.9 million) for various campus projects including new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. These loans bear interest ranging from 1.81 per cent to 5.49 per cent and mature from 2015 to 2040.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility consisting of a provincial division courthouse and city police headquarters. This is a 20 year loan bearing interest at 6.41 per cent and maturing in March 2021. The outstanding balance is $11.6 million (March 2014 – $13.1 million).

The Niagara Parks Commission, a Crown agency of the Province, operating under *Niagara Parks Act, 1990*, has been provided a loan of $5.2 million (March 2014 – $5.5 million) to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. This loan bears interest at 5.07 per cent and matures in April 2027.

The Ontario Infrastructure and Lands Corporation (OILC) is a Crown agency of the Province under the *Ontario Infrastructure and Lands Corporation Act, 2011* and has been provided a Revolving Credit Facility to a maximum amount of $200 million maturing in June 2019. OILC has drawn $10.0 million (March 2014 – $25.0 million) on this credit facility. This credit facility bears interest at 1.59 per cent and matures in July 2015.

The Ontario Lottery and Gaming Corporation (OLG) is a Crown agency of the Province under the *Ontario Lottery and Gaming Corporation Act, 1999*, and has been provided loans totalling $29.7 million (March 2014 – $32.3 million) to fund several projects, bearing interest at rates ranging from 1.03 to 2.93 per cent and maturing from May 2016 to January 2018.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. ONTC's total borrowing of $3.3 million (March 2014 – $5.6 million) matures from 2014 to 2031 and bears interest ranging from 4.90 to 6.29 per cent.

The Ottawa Convention Centre Corporation (OCC) is a Crown agency of the Province under the *Capital Investment Plan Act, 1993*, and has been provided a loan of $43.8 million (March 2014 – $41.9 million) for the purpose of providing term debt to finance part of the construction of the Ottawa Convention Centre. This is a 25 year loan, bears interest at 4.67 per cent and matures in September 2036. Pursuant to a directive signed by the Minister of Finance on November 2, 2012, the Province provided OCC with a repayment deferral of principal and interest up to five years. Interest continues to accrue over the five year deferral period. The outstanding amount includes capitalized interest of $3.8 million.

The Royal Ontario Museum (ROM) is a Crown agency of the Province under a Special Act of the Ontario Legislature and has borrowed $33.3 million (March 2014 – $35.5 million) comprised of $3.7 million at fixed rate 5.04 per cent and $29.6 million at a floating rate currently at 2.2 per cent. All outstanding loans are scheduled to be repaid by March 2027.

School boards have been provided loans under various programs beginning in 2006. During the year ended March 31, 2015, school boards were provided with additional loans and made semi-annual blended payments of principal and interest, leaving the total outstanding amount at $5,608.4 million (March 2014 – $5,575.2 million). These loans bear interest ranging from 2.42 to 5.38 per cent and mature from 2019 to 2040.

The University of Ontario Institute of Technology (UOIT) is a corporation established under the University of Ontario Institute of Technology Act, 2002. The Province has provided a 5 year term loan of $15.4 million (March 2014 – $19.9 million) bearing an interest rate at 2.77 per cent and matures in October 2017.

6. INVESTMENT AND DEBT MANAGEMENT FOR RELATED PARTY AGENCIES

a. The OFA provides investment management services to the following related party agencies. Fees are aimed at recovering OFA costs and are charged on the basis of either the market or par value of the assets under management based on a range of up to 0.20 per cent.

Deposit Insurance Corporation of Ontario
Northern Ontario Heritage Fund
Ontario Capital Growth Corporation
Pension Benefits Guarantee Fund
Ontario Immigrant Investor Corporation
Ontario Infrastructure and Lands Corporation
Ontario Trillium Foundation

Investments managed on behalf of these entities totalled $3,062 million at March 31, 2015 (March 2014 – $3,154 million).

b. The OFA provides debt management services to the following related party agencies on a cost recovery basis:

Ontario Electricity Financial Corporation (OEFC)
The OFA provides financial services and advice on a cost recovery basis to OEFC and manages its debt portfolio of approximately $25.3 billion (March 2014 – $26.1 billion).

Ontario Infrastructure and Lands Corporation (OILC)
The OFA provides borrowing and other financial services and advice on a cost recovery basis to OILC and manages its debt of approximately $5.2 billion at March 31, 2015 (March 2014 – $5.8 billion) including loans from the Province, a provincial agency and third parties.

c. The total costs recovered and receivables outstanding for related party agencies at March 31, 2015 are set out below:

(in thousands of dollars)

	March 31, 2015	*March 31, 2014*
Costs Recovered:		
OEFC	$ 3,611	*$ 3,541*
OILC	939	*946*
Investment Management	295	*260*
Total	$ 4,845	*$ 4,747*
Receivables:		
OEFC	$ 1,029	*$ 1,000*
OILC	235	*236*
Investment Management	90	*105*
Interest Rate Spread (Note 6)	1,487	*1,263*
Total	$ 2,841	*$ 2,604*

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The main risks that the Authority's financial instruments are exposed to are credit risk, liquidity risk and market risk. These risks are limited to the financial instruments reflected on the statement of financial position and do not extend to the financing provided to various public bodies, disclosed in note 6 to the financial statements.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment that it has entered into. This risk is minimal as most of the receivables are from the Province of Ontario.

The risk of not collecting the receivables related to OEFC, OILC and others is also considered to be minimal.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its cash flow obligations as they fall due. The Authority's exposure to liquidity risk is minimal as all operating and capital expenses are cost recovered from the Province of Ontario.

Market risk

The market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Authority. The Authority is not exposed to market risk.

8. FUTURE EMPLOYEE BENEFITS

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government and Consumer Services (MGCS) is responsible for funding the employer's contribution to the Pension Fund and accordingly, the OFA has no additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGCS and is not reported in these financial statements.

9. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

Future minimum annual rental payments for premises under operating leases are as follows:

(in thousands of dollars)

	March 31, 2015
2016	1,947
2017	1,947
2018	487
Total	**$4,381**

Committed Credit Facilities:

At the direction of the Province, the OFA has committed to finance a number of public bodies for which funds have not yet been advanced. The details are as follows:

The Deposit Insurance Corporation of Ontario (DICO) was provided a maximum $400 million revolving credit facility to ensure DICO's capacity to address systematic difficulties in the credit union system or the failure of large institutions that require resources above those in the Deposit Insurance Reserve Fund (DIRF) which is currently valued at approximately $190.1 million. All principal and interest is required to be repaid by December 31, 2029. As of March 31, 2015, DICO has not utilized this credit facility.

The former Ontario Power Authority (OPA), now merged with the IESO into a new entity also called IESO, was provided a maximum $975 million credit facility to primarily fund the Regulated Price Plan variance account. This credit facility will expire on December 31, 2016. As at March 31, 2015, the new IESO has not drawn any funds from this facility.

Contingencies:

At March 31, 2015, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

MANAGEMENT'S REPORT

Management of the Ontario French-language Educational Communications Authority (OFLECA) is responsible for the financial statements, the notes to the financial statements and all other financial information contained in this financial report.

Management has prepared the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations. In order to achieve the objective of fair presentation in all material respects, reasonable estimates and professional judgements were used. Management believes the financial statements present fairly the OFLECA's financial position as at March 31, 2015, as well as the results of its operations and its cash flows for the year then ended.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, Management has developed and maintains a system of internal controls designed to provide reasonable assurance that the OFLECA's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors is responsible for ensuring that the OFLECA's Management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board of Directors carries out its responsibility for review of the financial statements principally through the Audit Committee. The Audit Committee meets with Management and the external auditors to discuss the results of audit examinations and financial reporting matters and to satisfy itself that each party is properly discharging its responsibilities. The external auditors have full access to the Audit Committee with or without the presence of Management.

The financial statements for the year ended March 31, 2015 have been audited by Marcil Lavallée, Chartered Professional Accountants, Licensed Public Accountants, the independent external auditors appointed by the members of the OFLECA. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their professional opinion on the financial statements.

Glenn O'Farrell
Président et chef de la direction

Lisa Larsen

Lisa Larsen, CPA, CA
Directrice principale – finances et contrôles

Toronto, Ontario
June 10, 2015

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Ontario French-language Educational Communications Authority

We have audited the accompanying financial statements of the Ontario French-language Educational Communications Authority (OFLECA), which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net assets and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario French-language Educational Communications Authority as at March 31, 2015, as well as the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Marcil Lavallée.

Chartered Professional Accountants, Licensed Public Accountant
Ottawa, Ontario
June 10, 2015

Marcil Lavallée

OTTAWA
400-1420 place Blair Place
Ottawa ON K1J 9L8

T 613 745-8387
F 613 745-9584

Comptables professionnels agréés
Chartered Professional Accountants

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ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,767,480	$ 8,479,071
Accounts receivable (Note 4)	2,515,507	1,612,603
Prepaid expenses	1,074,677	1,511,440
	12,357,664	11,603,114
RESTRICTED CASH (Note 5)	6,646,229	5,833,750
BROADCASTING RIGHTS (Note 6)	16,711,234	15,305,959
IN-HOUSE PROGRAMMING (Note 7)	18,746,383	13,547,142
ASSET – EMPLOYEE FUTURE BENEFITS (Note 8)	1,086,400	598,100
CAPITAL ASSETS (Note 9)	8,974,367	11,380,979
	51,964,613	46,465,930
	$ 64,322,277	$ 58,069,044

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2015

	2015	2014
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	$ 4,826,481	$ 4,261,470
Deferred contributions (Note 11)	5,818,125	4,707,461
	10,644,606	8,968,931
LIABILITY – EMPLOYEE FUTURE BENEFITS (Note 8)	1,702,100	1,417,200
DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS (Note 12)	17,080,342	17,718,402
DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING (Note 13)	19,746,383	13,547,142
DEFERRED CONTRIBUTIONS – CAPITAL ASSETS (Note 14)	10,869,759	12,482,511
	49,398,584	45,165,255
	60,043,190	54,134,186
NET ASSETS		
Internal Restriction (Note 5)		
- TFO Fund	1,519,008	1,519,008
- Pension Fund	222,400	-
Unrestricted	2,537,679	2,406,850
	4,279,087	3,925,858
	$ 64,322,277	$ 58,060,044

Contractual obligations (Note 21) and Contingencies (Note 22)

ON BEHALF OF THE BOARD

President of the Board

Vice-President of the Board and President of the Audit Committee

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
REVENUE		
Contributions		
- Operating grants (Note 15)	$ 9,255,617	$ 7,020,456
- Funding for special projects (Note 16)	788,739	1,366,037
- Corporate and government (Note 17)	2,605,702	2,066,479
Other revenue (Note 18)	3,226,751	3,526,440
Amortization of deferred contributions		
- Broadcasting rights (Note 13)	5,620,684	6,100,076
- In-house programming (Note 13)	6,069,601	6,245,377
- Capital assets (Note 14)	3,372,782	3,237,360
	31,048,926	29,609,761
EXPENSES		
Content and programming	6,132,700	7,262,605
Production and technology	3,855,506	5,721,900
Administration	5,965,567	6,310,646
Amortization of broadcasting rights	5,620,684	6,100,076
Amortization of in-house programming	6,069,601	6,245,377
Amortization of capital assets	3,372,782	3,237,360
Employee future benefits	456,110	212,500
	31,028,107	29,609,761
EXCESS OF REVENUE OVER EXPENSES BEFORE NET ACTUARIAL GAINS ON EMPLOYEE FUTURE BENEFITS PLANS	20,829	-
Net actuarial gains - Employee future benefits plans	323,400	-
EXCESS OF REVENUE OVER EXPENSES	$ 344,229	$ -

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2015

	Internal Restrictions (Note 5)				
	TFO Fund	Pension Fund	Unrestricted	2015	2014
BALANCE, BEGINNING OF YEAR	$ 1,519,008	$ -	$ 2,415,850	$ 3,934,858	$ 3,934,858
Excess of revenue over expenses	-	-	344,229	344,229	-
Internal Restriction – Pension Fund	-	323,400	(323,400)	-	-
BALANCE, END OF YEAR	$ 1,519,008	$ 323,400	$ 2,436,679	$ 4,279,087	$ 3,934,858

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 344,229	$ -
Adjustments for:		
Amortization of broadcasting rights	5,629,684	6,199,978
Amortization of in-house programming	6,969,691	4,245,377
Amortization of capital assets	3,372,752	3,237,385
Net actuarial gains – Employee future benefits Plan	(323,400)	(164,300)
Amortization of deferred contributions – broadcasting rights	(5,629,684)	(6,199,978)
Transfer – deferred contributions – broadcasting rights	(1,742,614)	(468,862)
Amortization of deferred contributions – in-house programming	(6,969,691)	(4,245,377)
Amortization of deferred contributions – capital assets	(3,372,752)	(3,237,385)
Transfer – deferred contributions capital assets	(101,532)	(4,568,204)
	(1,823,317)	(5,201,366)
Net change in non-cash working capital items (Note 3)	1,209,534	4,179,713
Programming grant	7,563,238	7,755,152
In-house programming grant	12,368,932	9,090,044
Capital grant	1,952,532	5,114,314
	21,270,919	20,937,857
INVESTING ACTIVITIES RELATED TO CAPITAL ASSETS AND INTANGIBLE ASSETS		
Acquisition of broadcasting rights	(7,034,959)	(5,571,684)
Acquisition of in-house programming	(12,368,932)	(9,090,044)
Acquisition of capital assets	(966,140)	(4,938,383)
	(20,370,031)	(19,600,111)
NET INVESTING ACTIVITY		
Net change in restricted cash	(612,479)	(1,322,335)
NET INCREASE IN CASH AND CASH EQUIVALENTS	288,409	15,411
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	8,479,071	8,463,660
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 8,767,480	$ 8,479,071

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

1. STATUTE AND NATURE OF OPERATIONS

The Ontario French-language Educational Communications Authority (the Authority) is a Crown corporation created by a decree on April 1,

2007. The Authority is an independent French language broadcasting network and a charitable organization and, as such, is exempt from income tax.

The Authority's main objectives are to provide French language educational broadcasting and telecommunications to the general public, to

provide for the francophone community's interests and needs, and to develop the knowledge and skills of this community.

The Authority is currently in the process of renewing its educational programming license, which expires on August 31, 2015. A request has been made to the Canadian Radio-television and Telecommunications Commission (CRTC) and is for a period of 7 to 10 years, depending on the CRTC's decision.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations (PSAS-GNFPO). The Authority has elected to apply Section SP 4200 series for government-not-for-profit organizations. The accounting policies are set out below:

Basis of presentation

The financial statements have been prepared using the historical cost basis.

Management estimates

The preparation of financial statements in compliance with the PSAS-GNFPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the periods covered. Actual amounts could differ from these estimates. The main estimates relate to the useful life of capital assets, broadcasting rights and capitalized in-house programming costs. Estimates also include assets and liabilities related to employee future benefits.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Management estimates (continued)

The main items for which significant estimates were made are the defined benefits assets and liabilities for the accrued benefit pension plan and other retirement benefits plan. To estimate these amounts, management is required to make various assumptions that it considers reasonable, including with respect to inflation rates, discount rates and mortality rates. Management also takes into account future salary increases and the retirement age of employees. Any changes to the assumptions could have a significant impact on the Authority's results and financial position. The staff pension benefit expense could increase or decrease in upcoming years.

Revenue recognition

Contributions

The Authority follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue in the statement of operations when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions which are, explicitly or implicitly, externally restricted for the purchase of capital assets or broadcasting rights or internally developed television broadcasting subject to amortization (in-house programming) are deferred in the statement of financial position and recognized as revenue in the statement of operations on the same basis and over the same periods as the related assets.

Contributions which are, explicitly or implicitly, externally restricted for specific expenses to be incurred in future years (in-house programming and others) are deferred in the statement of financial position and recognized as revenue in the statement of operations in the period in which the related expenses are incurred.

Subscriptions

Revenue from signal subscriptions is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income

Interest income is recognized as revenue when earned.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contributions received in the form of supplies and services

The Authority accounts for the contributions received in the form of supplies and services when the fair value of these contributions can be reasonably estimated, and when the Authority should have obtained the supplies and services for its regular operations in another manner.

Financial instruments

Measurement of financial instruments

The Authority initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Authority subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash and cash equivalents, accounts receivable and restricted cash. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

Transaction costs

The Authority recognizes its transaction costs in operations in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

The Authority's policy is to present unrestricted cash and investments with a term equal to or less than three months in cash and cash equivalents.

Broadcasting rights, in-house programming and production costs

Broadcasting rights, in-house programming and production costs are accounted for as follows:

In-house programming

In-house programming is defined as internally developed television broadcasting. Completed and in-progress programming having a future economic value through rebroadcasting and the use of web-based interactive tools is accounted for on an individual basis at cost, deducted from accumulated amortization and cumulative loss in value. Cost includes the cost of supplies and services and the portion of the labour and other direct expenses related to programming. Programming costs are recognized in the statement of operations with the television and new media services expense using the straight-line method over a period of four years or when programming is sold or unusable.

Broadcasting rights and production costs

Broadcasting rights and productions under co-production, pre-purchase and acquisition contracts are accounted for at cost. Broadcasting rights are amortized over a period of four years on a straight-line basis.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization.

Amortization is calculated using the straight-line method over the estimated useful lives of assets as follows:

	Periods
Technical equipment	7 years
Computer equipment	5 years
Office furniture and equipment	15 years
Leasehold improvements	Duration of the lease

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Write-down of capital assets, broadcasting rights and in-house programming

When capital assets, broadcasting rights and in-house programming no longer contribute to the Authority's ability to provide services, the excess of the carrying amount of such assets over their residual value, if any, is recognized in the statement of operations.

Employee future benefits

The Authority accrues its obligations under the employee defined benefit plans, net of the fair value of plan assets. In order to do so, the Authority has adopted the following policies:

- The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service. This determination incorporates management's best estimate of future salary levels, discount rate, other cost escalation, retirement ages of employees and other actuarial factors;
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value;
- An actuarial gain (loss) arises from the difference between the actual long-term rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. Actuarial gains (losses) for each period are recognized on a systematic basis and are amortized over the average remaining service life of active employees covered by the pension plan, which is 13 years. The average remaining service period of the active employees covered by the other retirement benefit plans is 17 years.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of expenses relating to non-monetary assets and liabilities, which are translated at the historical rate. Exchange gains and losses are recognized in the current year's operations.

Excess financing

Government ministries can require the reimbursement of any excess funding. All such reimbursements will be accounted for in the financial year in which they occur.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

3. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2015	2014
Accounts receivable	$ (902,904)	$ 4,699,573
Prepaid expenses	436,763	(915,960)
Accounts payable and accrued liabilities	565,031	(665,274)
Deferred contributions	1,110,644	1,061,374
	$ 1,209,534	$ 4,179,713

4. ACCOUNTS RECEIVABLE

	2015	2014
Ministry of Education	$ 99,360	$ 155,079
Governments and government agencies	307,400	357,250
Subscriptions	105	2,723
Commodity taxes	794,666	718,113
Others	1,313,976	379,438
	$ 2,515,507	$ 1,612,603

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

5. RESTRICTED CASH

	2015	2014
Reserves		
- Capital renewal [a]	$ 1,000,000	$ 1,017,074
- Employee future benefits [b]	863,400	540,000
- TFO Fund [c]	1,519,008	1,519,008
- Broadcasting rights [d]	490,623	990,624
- Training services	-	150,000
- Transition	90,476	110,767
- AODA [e]	788,845	-
Commitments		
- Broadcasting rights	707,485	1,421,819
- Capital assets	986,392	84,458
	$ 6,446,229	$ 5,833,750

[a] A portion of the funding received annually can be set aside to ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced.

[b] For the year ended March 31, 2015, the Authority chose to restrict a portion of the period's surplus for additional contributions to the pension fund. Therefore, an additional amount of $323,400 has been added to the Fund.

[c] During the 2008-2009 year, the Authority decided to restrict contributions obtained from the dissolution of the TVOntario Foundation, which were received during the previous year. To this effect, these restricted funds may be used for purposes determined by the Board of Directors from time to time, and only with the approval of the Board.

[d] During the 2013-2014 year, the Authority chose to restrict an amount of $990,624 to acquire educational content for 2 to 12 year olds. As at March 31, 2015, an amount of $490,623 remained to be spent.

[e] During the year ended March 31, 2015, an amount of $792,100 from the operating budget was allocated specifically to meet the requirements of the *Accessibility for Ontarians with Disabilities Act, 2005* (AODA). An amount of $3,255 was recognized as an expense in the current year and the balance of $788,745 was recognized as a deferred revenue and as an addition to the Fund. This amount will be used during the year ended March 31, 2016.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

6. BROADCASTING RIGHTS

	2015		
	Cost	**Accumulated amortization**	**Net value**
Broadcasting rights and completed productions	$ 56,074,133	$ 42,813,214	$ 13,260,919
Work in progress	3,450,315	-	3,450,315
	$ 59,524,448	$ 42,813,214	$ 16,711,234

	2014		
	Cost	Accumulated amortization	Net value
Broadcasting rights and completed productions	$ 50,298,950	$ 37,183,530	$ 13,115,420
Work in progress	2,190,539	-	2,190,539
	$ 52,489,489	$ 37,183,530	$ 15,305,959

7. IN-HOUSE PROGRAMMING

	2015		
	Cost	**Accumulated amortization**	**Net value**
In-house programming	$ 33,185,172	$ 14,438,789	$ 18,746,383

	2014		
	Cost	Accumulated amortization	Net value
In-house programming	$ 20,816,240	$ 7,469,098	$ 13,347,142

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS

Description of pension and other retirement benefit plans

The Authority has a number of funded and unfunded defined benefit plans, as well as defined contribution plans, that provide pension, other retirement and post-employment benefits to most of its employees.

The pension plan to which most of the Authority's employees contribute is made up of two components. The first component consists of a defined benefit plan entirely funded by the Authority. According to this plan, pension benefits are based on the number of years of service and the employee's salary at the end of their career. Every year, the pension benefits are grossed-up in accordance with the rate of inflation, up to a maximum of 3%. The second component consists in a defined contribution plan, with contributions paid by both the Authority and the participants. Other retirement benefit plans are contributory health care, dental and life insurance plans.

Total cash payments

Cash payments made for future employee benefits, consisting of cash contributed by the Authority to its funded pension plan, cash payments directly to beneficiaries on account of its unfunded other retirement benefit plans, and cash contributed to its defined contribution plans, amount to $962,202 (2014: $881,201).

Defined benefit plans

The Authority measures its accrued defined benefit obligations and the fair value of the plan assets as at March 31 of each year. The most recent actuarial valuation of the pension plan, for funding purposes, was prepared by Mercer as at March 31, 2015 and is a data extrapolation and evaluation based on the complete actuarial valuation dated March 31, 2014.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Reconciliation of the funded status of the benefit plans to amounts recorded in the financial statements

	2015		
	Funded Pension Benefit Plan	Unfunded Other Retirement Benefit Plans	Total
Accrued benefit obligations	$ 11,038,600	$ 2,077,700	$ 13,116,300
Fair value of plan assets	(13,661,900)	-	(13,661,900)
Funded status – plan deficit (surplus)	(2,623,300)	2,077,700	(545,600)
Unamortized net actuarial (gain) loss	1,536,900	(295,600)	1,241,300
Accrued pension liability (asset)	$ (1,086,400)	$ 1,782,100	$ 695,700

	2014		
	Funded Pension Benefit Plan	Unfunded Other Retirement Benefit Plans	Total
Accrued benefit obligations	$ 9,668,000	$ 1,519,300	$ 11,187,300
Fair value of plan assets	(12,063,600)	-	(12,063,600)
Funded status – plan deficit (surplus)	(2,395,600)	1,519,300	(876,300)
Unamortized net actuarial (gain) loss	1,797,500	97,900	1,895,400
Accrued pension liability (asset)	$ (598,100)	$ 1,617,200	$ 1,019,100

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Pension plan asset components

At the measurement date of March 31, the pension plan assets consist of the following:

	2015	2014
	%	%
Asset category		
Equity securities	60	60
Debt securities	35	35
Other	5	5
	100	100

Employee future benefit costs recognized in the year and benefits paid

	2015	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	$ 2268,500	$ 179,600
Benefits paid	$ 7700,000	$ 16,700

	2014	
	Pension Benefit Plan	Other Benefit Plans
Employee future benefits costs recognized	$ 2247,400	$ 207,800
Benefits paid	$ 6911,700	$ 12,900

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Significant assumptions

The significant assumptions used are as follows (weighted average):

	2015	
	Pension Benefit Plan	Other Benefit Plans
	%	%
Accrued benefit obligation		
Discount rate	5.770	2.80
Rate of compensation increase		
Non-unionized employees	1.550 until 2019	-
Non-unionized employees	2.550 2020 until after	-
Unionized employees	2.50 per year	-
Employee future benefits costs		
Discount rate	6.225	3.80
Expected long-term rate of return on plan assets	6.225	-
Rate of compensation increase		
Non-unionized employees	1.600 until 2019	-
Non-unionized employees	2.200 2020 until after	-
Unionized employees	2.20 per year	-

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

8. ASSET AND LIABILITY – EMPLOYEE FUTURE BENEFITS (continued)

Significant assumptions (continued)

	2014	
	Pension Benefit Plan	Other Benefit Plans
	%	%
Accrued benefit obligations		
Discount rate	6.35	3.80
Rate of compensation increase	2.50	-
Employee future benefits costs		
Discount rate	6.15	3.30
Expected long-term rate of return on plan assets	6.15	-
Rate of compensation increase	2.20	-

The assumed health care cost trend rates are based on the following:

	2015	2014
	%	%
Prescription medication:		
Initial health care cost trend rate	**6.5**	9
Cost trend rate declines to	**4.5**	4.5
Year that the rate reaches the rate it is assumed to remain at	**2030**	2030
Hospitalization cost, eye care, dental care and other medical care	**Between 0 and 5.00**	Between 0 and 5.00

Defined contribution plan

The total expense recognized in relation with the defined contribution plan amounts to $189,898 (2014: $189,728).

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

9. CAPITAL ASSETS

	2015		
	Cost	Accumulated amortization	Net value
Technical equipment	$ 11,568,360	$ 9,577,807	$ 1,990,553
Computer equipment	10,070,681	6,451,083	3,619,598
Office furniture and equipment	1,779,895	555,673	1,224,222
Leasehold improvements	5,666,338	3,526,344	2,139,994
	$ 29,085,274	$ 20,110,907	$ 8,974,367

	2014		
	Cost	Accumulated amortization	Net value
Technical equipment	$ 11,300,522	$ 7,950,699	$ 3,349,823
Computer equipment	9,413,395	5,387,793	4,025,602
Office furniture and equipment	1,766,958	437,316	1,329,642
Leasehold improvements	5,638,259	2,962,347	2,675,912
	$ 28,119,134	$ 16,738,155	$ 11,380,979

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade payables and accrued charges	$ 4,012,882	$ 3,473,913
Accrued wages and benefits	813,599	787,537
	$ 4,826,481	$ 4,261,450

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

11. DEFERRED CONTRIBUTIONS

	2015		
	Ministry of Education	Others	Total
Deferred Contributions			
Balance, beginning of year	$ 4,569,623	$ 93,303	$ 4,662,926
Add: Amount received	4,272,557	73,295	4,345,852
Less: Amount recognized as revenue	(3,186,210)	(90,575)	(3,276,785)
Balance, end of year	5,655,970	76,023	5,731,993
Special projects			
Balance, beginning of year	44,555	-	44,555
Add: Amount received	368,085	462,231	830,316
Less: Amount recognized as revenue	(340,508)	(448,231)	(788,739)
Balance, end of year	72,132	14,000	86,132
Total	$ 5,728,102	$ 90,023	$ 5,818,125

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

11. DEFERRED CONTRIBUTIONS (continued)

	2014		
	Ministry of Education	Others	Total
Deferred contributions			
Balance, beginning of year	$ 2,570,824	$ 39,370	$ 2,610,194
Add: Amount received	3,608,694	82,518	3,691,212
Less: Amount recognized as revenue	(1,609,895)	(28,585)	(1,638,480)
Balance, end of year	4,569,623	93,303	4,662,926
Special projects			
Balance, beginning of year	1,025,256	10,657	1,035,913
Add: Amount received	283,159	110,120	393,279
Less: Amount recognized as revenue	(1,263,860)	(120,777)	(1,384,637)
Balance, end of year	44,555	-	44,555
Total	$ 4,614,178	$ 93,303	$ 4,707,481

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2015

12. DEFERRED CONTRIBUTIONS – BROADCASTING RIGHTS

	2015	2014
Balance, beginning of year	$ 17,718,402	$ 16,632,090
Add:		
Amount received this year – Ministry of Education	7,440,012	7,580,802
Amount received prior year – Ministry of Education	-	100,350
Amount received – Others	123,226	74,000
Less :		
Transfer	(1,742,614)	(468,862)
Amortization – Amount recognized as revenue	(5,629,684)	(6,199,978)
Balance, end of year	$ 17,909,342	$ 17,718,402

13. DEFERRED CONTRIBUTIONS – IN-HOUSE PROGRAMMING

	2015	2014
Balance, beginning of year	$ 13,347,142	$ 8,502,475
Add:		
Amount received – Ministry of Education	11,584,137	7,935,044
Amount received – Canadian Media Fund	784,795	1,155,000
Less:		
Amortization – Amount recognized as revenue	(6,969,691)	(4,245,377)
Balance, end of year	$ 18,746,383	$ 13,347,142

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

14. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

	2015	2014
Balance, beginning of year	**$ 12,482,511**	$ 15,173,786
Add :		
Amount received – Ministry of Education	**1,952,532**	5,114,314
Less :		
Transfer	**(101,532)**	(4,568,204)
Amortization – Amount recognized as revenue	**(3,372,752)**	(3,237,385)
Balance, end of year	**$ 10,960,759**	$ 12,482,511

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

15. CONTRIBUTIONS – OPERATING GRANTS

	2015	2014
Received in current year		
Grant – core	$ 10,234,365	$ 9,580,216
Grant – core – AODA	792,100	
Grant – capital	1,750,000	1,000,000
Grant – capital – AODA	100,000	
Grant – broadcasting rights	5,113,897	6,969,440
Grant – transfer to in-house programming	11,584,137	7,935,044
Receivable in current year		
Grant – dedicated funds	-	137,000
Received in prior year		
Capital	101,532	4,568,204
Broadcasting rights	2,326,114	611,362
Subtitling	-	-
Dedicated projects	2 602 710	1 229 544
Deferred contributions		
Broadcasting rights	(7,440,012)	(7,580,802)
In-house programming	(11,584,137)	(7,935,044)
Capital assets	(1,952,532)	(5,114,314)
Dedicated funds	-	(137,000)
Dedicated projects	(3,483,712)	(3,334,194)
Dedicated projects – AODA	(788,845)	
	$ 9,355,617	$ 7,929,456

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

16. CONTRIBUTIONS – FUNDING FOR SPECIAL PROJECTS

	2015		
	Ministry of Education	Others	Total
Funding received in current year	$ 368,085	$ 462,231	$ 830,316
Funding recognized	340,508	448,231	788,739
Less: Deferred contributions	(368,085)	(462,231)	(830,316)
	$ 340,508	$ 448,231	$ 788,739

	2014		
	Ministry of Education	Others	Total
Funding received in current year	$ 283,159	$ 110,120	$ 393,279
Funding recognized	991,885	34,323	1,026,208
Less: Deferred contributions	(11,184)	(23,666)	(34,850)
	$ 1,263,860	$ 120,777	$ 1,384,637

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015

17. CONTRIBUTIONS – CORPORATE AND GOVERNMENT

	2015	2014
Ministry of Education		
Funding received in current year	$ 2,605,000	$ 2,605,000
Federal		
Funding received in current year	784,795	1,155,000
Less: Deferred contributions	(784,795)	(1,155,000)
Other Ontario agencies		
Funding received in current year	33,620	76,970
Funding recognized from prior years	11,633	-
Less: Deferred contributions	-	(40,745)
Other provinces		
Funding received in current year	68,368	134,442
Less: Deferred contributions	(960)	(28,188)
Corporate		
Funding received in current year	5,100	-
Funding recognized from prior years	6,167	15,000
Less: Contributions deferred to the following year – broadcasting rights	(123,226)	(74,000)
	$ 2,605,702	$ 2,688,479

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

18. OTHER REVENUE

	2015	2014
Signal subscriptions	$ 2,689,867	$ 2,815,731
Sale of products, donations and other	233,402	192,930
Sublease	103,241	105,258
Interest	200,241	210,530
	$ 3,226,751	$ 3,324,449

19. RELATED PARTY TRANSACTIONS BETWEEN RELATED ORGANIZATIONS

As sponsor of the Ontario French-language Educational Communications Authority Pension Plan, the Authority has undertaken to pay certain costs of the pension plan, including compensation of employees, professional fees and costs associated with the use of premises and other associated costs.

20. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Authority is exposed to various financial risks resulting from both its operations and its investment activities. The Authority's management reviews financial risks on a regular basis to mitigate the impact of such risks.

The Authority does not enter into financial agreements including derivative financial instruments for speculative purposes.

Financial risks

The Authority's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk of financial loss for the Authority if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise mainly from certain financial assets held by the Authority consisting of cash and cash equivalents and accounts receivable.

The Authority is exposed to credit risk attributable to its accounts receivable. The credit risk is assessed as low mainly due to the type of debtor, for the most part comprised of the government. The Authority's accounts receivable are classified as current.

The Authority is exposed to concentration risk attributable to cash and cash equivalents and restricted cash since it only trades with one financial institution. The Authority manages its credit risk by dealing with a reputable bank.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

20. FINANCIAL INSTRUMENTS (continued)

Exchange risk

The Authority is exposed to exchange risk due to cash and cash cuivalents and accounts receivable denominated in US dollars. As at March 31, 2015, cash and cash:quivalents in US dollars totalled USD $87,917 (CAD $111,356) (2014: USD $64,108 and CAD $70,872.

The Authority does not enter into forward exchange contracts to cover its excange risk exposure. The Authority believes that it is not subject to significant foreign exchange risk from its financial instruments.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its finacial obligations as they become due.

Liquidity risk management serves to maintain a sufficient amount of cas and cash equivalents. To ensure that the Authority has the necessary funds to fulfil its obligations, the Authority's management establishes budgets, but does not prepare cash flow forecasts.

As at March 31, 2015, the Authority has a cash and cash equivalents and rstricted cash balance of $15,213,709 (2014: $14,312,821). All the Authority's financial liabilities totlling $4,826,484 (2014: $4,261,450) have contractual maturities of less than 365 days.

21. CONTRACTUAL OBLIGATIONS

The Authority has entered into operating lease agreements which call for paymets of $3,244,007 for the rental of office space. The minimum lease payments for the next three years ar $1,385,770 for the year ended March 31, 2016, $1,311,697 for the year ended March 31, 2017, and $56,540 for the year ended March 31, 2018.

The Authority has entered into other operating lease agreements expiring in 219-2020 which call for monthly lease payments of $84,961 for access to communication servies. The minimum lease payments for the next five years amount to $1,019,537 for the year ended Mrch 31, 2016, $277,623 for the year ended March 31, 2017, $285,952 for the year ended March 31 2018, $294,530 for the year ended March 31, 2019 and $200,242 for the year ended March 31, 2020.

As at March 31, 2015, the Authority had committed an amount of $1,388840 for the purchase of broadcasting rights for the year ended March 31, 2016.

As at March 31, 2015, the Authority had committed an amount of $995,104 fr the purchase of capital assets for the year ended March 31, 2016.

The Authority has also entered into other contracts for an amount of $960,00, of which $850,000 will be paid during the year ended March 31, 2016 and $110,000 during tl year ended March 31, 2017.

ONTARIO FRENCH-LANGUAGE EDUCATIONAL COMMUNICATIONS AUTHORITY (OFLECA)

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2015

22. CONTINGENCIES

The nature of the Authority's activities is such that there may be litigation pending or in the prospect at any time. With respect to claims existing as at March 31, 2015, management believes that the Authority has valid defenses and appropriate insurance coverage in place. Even in the event these claims would be found valid, management believes that such claims are not expected to have a material effect on the Authority's financial position. No amount has been recorded in the financial statements.

The funding received from government ministries may be refunded following as audit if the funding received is identified as a surplus based on the funding arrangements agreed between the parties. As at March 31, 2015, management has not been informed of any potential refund.

ONTARIO IMMIGRANT INVESTOR CORPORATION (OIIC)

Responsibility for Financial Reporting

Management and the Board of Directors are responsible for the financial statements presented. The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates based on management's judgement. The financial statements have been properly prepared with reasonable limits of materiality and in light of information available up to July 6, 2015.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and his opinion.

On behalf of management

Robert Burns
Chair

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Immigrant Investor Corporation and
to the Minister of Citizenship, Immigration & International Trade

I have audited the accompanying financial statements of the Ontario Immigrant Investor Corporation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Immigrant Investor Corporation as at March 31, 2015 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Future of the Corporation

While not affecting my opinion, I draw attention to note 1 to the financial statements which indicates that the Federal government has ended its Immigrant Investor Program. The Corporation is expected to remain operational until it has repaid all provincial allocations of immigrant investors' funds to the Federal government, which is expected to occur by March 31, 2021.

Toronto, Ontario
July 6, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Ontario Immigrant Investor Corporation

Statement of Financial Position
As at March 31, 2015

	2015 ($ 000)	2014 ($ 000)
FINANCIAL ASSETS		
Cash	4,656	10,241
Investments (Note 3)	1,052,509	1,207,736
Accounts receivable	61	71
	1,057,226	1,218,048
LIABILITIES AND ACCUMULATED SURPLUS		
Accounts payable	536	622
Repayable Provincial Allocations (Note 4)	959,408	1,139,228
	959,944	1,139,850
Net Financial Assets	97,282	78,198
Non-Financial Assets		
Deferred Commission Charges (Note 5)	19,082	26,404
Accumulated Surplus	116,364	104,602

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

Ontario Immigrant Investor Corporation

Statement of Operations
For the Year Ended March 31, 2015

	2015 ($ 000)	2014 ($ 000)
Revenue		
Interest income	25,901	29,809
	25,901	29,809
Expenses (Note 6)		
Amortization of deferred commission charges (Note 5)	12,034	14,596
Investment management fee (Note 3)	2,105	2,270
	14,139	16,866
Excess of Revenue over Expenses	11,762	12,943
Accumulated Surplus, beginning of year	104,602	91,659
Accumulated Surplus, end of year	116,364	104,602

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2015

	2015 ($ 000)	2014 ($ 000)
Excess of Revenue Over Expenses	11,762	12,943
Deferred Commission Charges- Current Year	(4,801)	(15,150)
Amortization of Deferred Commission Charges	12,034	14,596
Deferred Commission Recovered	89	20
Increase in Net Financial Assets	19,084	12,409
Net Financial Assets, beginning of year	78,198	65,789
Net Financial Assets, end of year	97,282	78,198

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Statement of Cash Flows
For the Year Ended March 31, 2015

	2015 ($ 000)	2014 ($ 000)
Cash provided by (used in) operating activities		
Interest received	804	604
Investment Management Fees paid	(2,182)	(2,214)
	(1,378)	(1,610)
Cash (used in) provided by investing and financing activities		
Provincial allocations received net of commissions	75,735	249,712
Provincial allocations repaid	(258,625)	(233,397)
Provincial allocations refunded	(1,640)	(266)
	(184,530)	16,049
Investments matured	578,830	477,769
Investments purchased	(398,507)	(493,757)
	180,323	(15,988)
Net (decrease) in cash	(5,585)	(1,549)
Cash, beginning of year	10,241	11,790
Cash, end of year	4,656	10,241

See accompanying notes to financial statements.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2015

1. Nature and Future of the Corporation

The Ontario Immigrant Investor Corporation (Corporation) was established as a corporation without share capital on April 30, 1999 pursuant to Ontario Regulation 279/99 made under the *Development Corporations Act*.

The Corporation was established in order to participate in a federal Immigrant Investor Program (IIP). Under the IIP, each participating province established a vehicle to receive and invest immigrant investor dollars for the purposes of creating or continuing employment in Canada in order to foster the development of a strong and viable economy. Each participating province, in turn, guarantees immigrant investors that their investment will be repaid after five years with no interest.

In February 2014, the Federal government announced the termination of the Immigrant Investor Program. Citizenship and Immigration Canada (CIC) is processing the remaining 160 applications designated for Ontario's allocation amount of approximately $29.8 million. However, CIC has indicated that above numbers are estimates based on how many applications are actually approved. Ontario is expected to receive its share of the remaining funds by the end of March 2016. The repayment of this allocation to the immigrant investors after five years will occur by March 2021. Accordingly, the Corporation will remain operational until then to meet its obligations under the Immigrant Investor Program.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

As the Corporation is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

(B) REVENUE RECOGNITION

Accrued interest is recognized as earned and amounts not yet received are included in the carrying value of investments.

(C) FINANCIAL INSTRUMENTS

A financial instrument is an asset or liability that will ultimately be settled in cash.

- Cash, accounts receivable and accounts payable are recorded at cost, which approximates fair value due to the short-term nature of these instruments.
- Investments are initially recorded at cost and subsequently recorded at cost plus accrued interest earned to date.
- Repayable provincial allocations are originally recorded at the actual amounts received and remain at those amounts until repaid due to the interest-free nature of the debt. They have not been discounted to reflect fair value.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2015

2. Significant Accounting Policies (continued)

(D) DEFERRED COMMISSION CHARGES

Commissions paid to intermediaries, for introducing new immigrant investors, are deferred and amortized to expense on a straight-line basis over the same period as the related Repayable Provincial Allocation beginning in the fiscal year when the allocation is received. If the application for permanent residence is withdrawn by the immigrant investor or denied by the federal government, the Corporation recovers the commission in the year when this occurs. The deferred charges represent the unamortized balance of the commissions.

3. Investments

Prior to February 2011, the Corporation invested all of its allocations in fixed income securities issued by the Province of Ontario, maturing within five years. In general, zero-coupon bonds were purchased to align maturity dates to the Provincial Allocations repayment schedule provided in Note 4. As at March 31, 2015, these fixed income securities had a weighted-average yield of 2.56% (2014 - 2.84%).

In September 2010, in order to satisfy the requirements of the Federal Immigrant Investor Program the Corporation approved a new investment strategy to direct a significant portion of allocations received to the Loan Program managed by Ontario Infrastructure and Lands Corporation (OILC) a related party. Through its Loan Program, OILC helps finance hundreds of infrastructure projects such as the construction of roads, bridges and facilities thereby fostering economic development and job creation.

The Corporation entered into an agreement with OILC to direct a significant portion of the allocations to OILC monthly, in exchange for promissory notes due five years from the date of the transfer at either a fixed or floating interest rate effectively equal to the OILC's cost of borrowing for similar terms as determined by the Ontario Financing Authority. As a result of the announced termination of the Immigrant Investor Program, there was a significant reduction in the provincial allocations. In fiscal 2015, OILC received $42 million of the provincial allocations (2014 – $200 million). As at March 31, 2015, these promissory notes had a weighted average interest rate of 2.10% (2014 – 2.09%).

The entire portfolio of investments is managed by the Ontario Financing Authority (OFA), a related party, in accordance with the terms and conditions set out in an agreement signed between the OFA, the Corporation and the Province. The OFA receives an investment management fee of 0.2% of the average par value or face value of the investments outstanding during the year for performing these services.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2015

3. Investments (continued)

The investments balance which includes accrued interest is broken down as follows:

	March 31, 2015 Cost ($ 000)	March 31, 2015 Market ($ 000)	March 31, 2014 Cost ($ 000)	March 31, 2014 Market ($ 000)
OILC Promissory Notes	608,171	594,312	553,635	543,440
Zero Coupon Bonds	227,890	229,466	491,609	498,898
Fixed Income Bonds	129,524	129,682	93,330	92,255
Treasury Bills	86,924	86,924	69,162	69,162
	1,052,509	1,040,384	1,207,736	1,203,755

The Corporation is exposed to interest rate risk whenever any funds received from immigrants are invested in fixed income securities because the future return and market value of the investments is dependent on the prevailing interest rates. However, there is very little exposure to fluctuating interest rates during the 5-year period of the repayable provincial allocations because the maturity of the fixed income investments matches the maturity of the repayable provincial allocations.

It is management's opinion that the Corporation is not exposed to significant credit or currency risk because all investments are with related parties supported by the Province and none of them are denominated in a foreign currency.

4. Repayable Provincial Allocations

The Corporation incurs long-term obligations from funds received under the federal Immigrant Investor Program in accordance with the terms and conditions set out in agreements signed in June 1999 and June 2011 between the federal Minister of Citizenship and Immigration and the Corporation. The agreement states that the federal Minister, as agent of the Corporation, receives funds from immigrant investors and transfers Ontario's share of the funds (Provincial Allocation) to the Corporation. The Corporation will repay any Provincial Allocations received without interest at expiry of the Allocation Period, being five years from the date the Provincial Allocation was originally received.

Ontario Immigrant Investor Corporation

Notes to Financial Statements
March 31, 2015

4. Repayable Provincial Allocations (continued)

The Province guarantees the repayment of the Provincial Allocations when due. The repayment schedule on Provincial Allocations is as follows:

	($ 000)
Due fiscal year 2016	257,993
Due fiscal year 2017	218,732
Due fiscal year 2018	138,575
Due fiscal year 2019	264,146
Due fiscal year 2020	79,962
	959,408

An investor's application for permanent residence may be withdrawn by the Investor or denied by the federal government. As at March 31, 2015 there are $967,000 of applications that are in process. If any of these applications are withdrawn by the Investor or denied by the federal government the Provincial Allocation pertaining to the Investor is to be returned to the federal government within 30 days of receipt of request from the federal government.

5. Deferred Commission Charges

Deferred commission charges are comprised as follows:

	2015 ($ 000)	2014 ($ 000)
Balance, beginning of year	26,404	25,870
Commissions – current year	4,801	15,150
Commissions recovered	(89)	(20)
Amortization	(12,034)	(14,596)
Balance, end of year	19,082	26,404

6. Administration Support Services

Business support, strategic management services and other administrative support, including accommodation, financial, legal and human resource services is provided by the Ministry of Economic Development, Employment & Infrastructure and the Ministry of Citizenship, Immigration & International Trade without charge.

INFRASTRUCTURE ONTARIO

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Infrastructure and Lands Corporation have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and, where applicable, the recommendations of the Accounting Standards Board of the Chartered Professional Accountants of Canada and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by PricewaterhouseCoopers LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,

Bert Clark.

Bert Clark
President and Chief Executive Officer

Krishnan Iyer
Chief Financial Officer

June 26, 2015

Independent Auditor's Report

To the Directors of
Ontario Infrastructure and Lands Corporation

We have audited the accompanying financial statements of Ontario Infrastructure and Lands Corporation, which comprise the statement of financial position as at March 31, 2015 and the statements of operations and accumulated surplus, re-measurement gains and losses, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Infrastructure and Lands Corporation as at March 31, 2015 and the results of its operations, its re-measurement gains and losses, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

INFRASTRUCTURE ONTARIO
STATEMENT OF FINANCIAL POSITION
As at March 31
(in thousands of dollars)

	March 31 2017	March 31 2016
Financial assets		
Cash and cash equivalents (Note 3)	$ 1,086,827	$ 797,531
Accounts receivable (Note 5)	449,562	155,888
Interest receivable	43,966	39,038
Investment income receivable	3,178	1,333
Loans receivable (Note 4)	6,707,287	6,602,797
Derivatives (Note 5)	387,888	300,270
Projects receivable (Note 6)	44,288	108,889
Investments (Note 7)	318,281	229,017
	9,098,753	8,380,738
Liabilities		
Accounts payable	7,698	70,083
Accrued liabilities	99,487	67,259
Interest payable	73,698	80,322
Derivatives (Note 5)	489,268	395,074
Deferred revenue	11,893	8,308
OFA credit facility (Note 8)	10,000	25,000
Debt – loan program (Note 9)	8,352,482	7,765,155
	9,071,240	8,310,622
Net financial assets	59,872	111,106
Non-financial assets		
Tangible capital assets (Note 10)	4,024	5,368
	63,896	116,474
Accumulated surplus	178,887	172,269
Accumulated re-measurement losses	(115,063)	(55,795)
	$ 63,896	$ 116,474

Contingencies (Note 16)
Commitments (Note 17)

The accompanying notes are an integral part of these financial statements.

Approved:

Board Chair

Director, Chair Audit Committee

INFRASTRUCTURE ONTARIO
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
For the year ended March 31
(In thousands of dollars)

	2017 Budget (unaudited)	2017	2016 (Note 13)
Revenue			
Interest income (Note 13)	$ [illegible]	$ [illegible]	$ [illegible]
Investment income (Note 13)	[illegible]	[illegible]	[illegible]
Project delivery fees	[illegible]	[illegible]	[illegible]
Project transaction fees	[illegible]	[illegible]	[illegible]
Management fees	[illegible]	[illegible]	[illegible]
Recoverable advisory costs	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Expenses			
Salaries and benefits	[illegible]	[illegible]	[illegible]
General and administration (Note 13)	[illegible]	[illegible]	[illegible]
Program Expenses			
Project transaction costs	[illegible]	[illegible]	[illegible]
Recoverable advisory costs	[illegible]	[illegible]	[illegible]
Interest (Note 13)	[illegible]	[illegible]	[illegible]
Loan valuation allowance	[illegible]	[illegible]	[illegible]
Sub-contracting fees	[illegible]	[illegible]	[illegible]
Project funding expenses	[illegible]	[illegible]	[illegible]
Total program expenses	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
Surplus	[illegible]	[illegible]	[illegible]
Accumulated surplus, beginning of year	[illegible]	[illegible]	[illegible]
Accumulated surplus, end of year	$ [illegible]	$ [illegible]	$ [illegible]

The accompanying notes are an integral part of these financial statements.

INFRASTRUCTURE ONTARIO
STATEMENT OF RE-MEASUREMENT GAINS AND LOSSES
For the year ended March 31
(in thousands of dollars)

		2015		2014
Accumulated re-measurement losses, beginning of year	$	(35,772)	$	(70,650)
Realized losses – reclassified to the Statement of Operations		22,547		21,897
Re-measurement gains/(losses)		(118,836)		12,981
Net re-measurement gains/(losses) in the year		(96,289)		34,878
Accumulated re-measurement losses, end of year	$	(132,061)	$	(35,772)

The accompanying notes are an integral part of these financial statements.

INFRASTRUCTURE ONTARIO
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the year ended March 31
(in thousands of dollars)

		2015		2014
Surplus	$	**3,314**	$	24,866
Acquisition of tangible capital assets		**(661)**		(1,308)
Amortization of tangible capital assets		**2,005**		1,779
Net re-measurement gains/(losses) in the year		**(96,289)**		34,878
Net change in net financial assets		**(91,631)**		60,215
Net financial assets at beginning of year		**131,106**		70,891
Net financial assets at end of year	$	**39,475**	$	131,106

The accompanying notes are an integral part of these financial statements.

INFRASTRUCTURE ONTARIO
STATEMENT OF CASH FLOWS
For the year ended March 31
(in thousands of dollars)

	2015	2014
Operating activities		
Net surplus	$ 3,314	$ 24,866
Items not requiring a current cash outlay:		
Loan valuation allowance	5,686	7,230
Amortization of deferred concession costs	(8,206)	(9,125)
Amortization of tangible capital assets	2,005	1,779
	2,799	24,750
Changes in non-cash working capital items:		
Decrease/(increase) in accounts receivables	46,886	(81,152)
Increase in interest receivable	(4,928)	(6,419)
Decrease in projects receivables	43,806	47,581
(Decrease)/increase in accounts payables	(62,347)	58,901
Increase in accrued liabilities	32,168	25,087
Increase in deferred revenue	13,976	1,460
Cash provided by operating activities	72,360	70,208
Capital activities		
Acquisition of tangible capital assets	(661)	(1,308)
Cash used in capital activities	(661)	(1,308)
Investing activities		
(Increase)/decrease in investment income receivable	(254)	75
Purchase of investments	(2,181,797)	(2,774,866)
Proceeds from disposition of investments	2,192,503	2,881,829
Issuance of loans receivables	(586,697)	(767,760)
Loan repayments	594,677	259,360
Cash provided by/(used in) investing activities	18,432	(401,362)
Financing activities		
Decrease in interest payable	13,476	4,907
Repayment of OFA credit facility	(15,000)	(48,000)
Debt issuances	2,970,630	3,472,141
Debt repayments	(2,761,731)	(2,972,726)
Cash provided by financing activities	207,375	456,322
Net increase in cash and cash equivalents	297,506	123,860
Cash and cash equivalents, beginning of year	787,321	663,461
Cash and cash equivalents, end of year	$ 1,084,827	$ 787,321

The accompanying notes are an integral part of these financial statements.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2015 and 2014

NATURE OF THE CORPORATION

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario, Agency) is a Crown corporation reporting to the Minister of Economic Development, Employment and Infrastructure (Minister) and is classified by the Province of Ontario (Province) as an operational enterprise.

The mandate of Infrastructure Ontario includes the following:

- To provide financing for infrastructure purposes to municipalities and to eligible public organizations;
- To provide the Minister with advice and services, including project management, contract management and development, related to public works for which the Minister is responsible;
- To provide the Government with advice and services, including project management, contract management and development, related to public works for which the Minister is not responsible, when directed to do so in writing by the Minister;
- To provide financial management for public works managed by the Ministry of Economic Development, Employment and Infrastructure (Ministry) or by a Crown agency for which the Minister is responsible;
- To carry out the powers, duties and functions delegated by the Minister to the Corporation under the Ministry of Infrastructure Act, 2011;
- To provide advice and services related to real property to public sector organizations when directed to do so in writing by the Minister;
- To provide advice and services to the Minister or other members of the Executive Council, on financial, strategic or other matters involving the Government, when directed to do so in writing by the Minister;
- To implement or assist in the implementation of transactions involving the Government, when directed to do so in writing by the Minister; and
- To provide advice and services, including project management and contract management services related to infrastructure projects in Ontario that are not public works, when directed to do so in writing by the Minister.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the Income Tax Act of Canada. Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements are prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

Management estimates

The preparation of financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

Key areas where management has made estimates are in the percentage of completion for the determination of revenue from project delivery fees, the loan portfolio valuation allowance and the fair value of derivatives. Actual results could differ from those and other estimates, the impact of which would be recorded in future periods.

Financial Instruments

Infrastructure Ontario's financial assets include cash and cash equivalents, accounts receivables, interest receivable, investment income receivable, loans receivables, derivatives, projects receivables, and investments. Infrastructure Ontario's financial liabilities include accounts payables, accrued liabilities, interest payable, derivatives, Ontario Financing Authority (OFA) credit facility, and the debt supporting the loan program.

Initial recognition and measurement
All financial assets and liabilities are initially recognized at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties, who are under no compulsion to act. Financial instruments are classified at initial recognition as either (i) fair value or (ii) cost or amortized cost. Derivatives are classified in the fair value category. All other financial instruments are classified in the cost or amortized cost category.

The amortized cost of the 2003-04 program loans (see Note 4) issued by Infrastructure Ontario, which were considered to have concessionary terms, was determined as the present value of the future cash flows of the loan, and discounted using Infrastructure Ontario's cost of borrowing. The difference between the face value of the loan and its present value is, in substance, a grant. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Transaction costs for financial instruments measured at cost or amortized cost are added to or netted against the carrying value of the financial asset or financial liability, respectively. Transaction costs for financial instruments measured at fair value are expensed immediately in the statement of operations and accumulated surplus.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

i. Financial instruments at fair value
Financial instruments at fair value are re-measured at their fair value at the end of each reporting period. Any unrealized gains and losses are recognized in the statement of re-measurement gains and losses and are subsequently reclassified to the statement of operations upon disposal or settlement.

Infrastructure Ontario uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of financial instruments not traded in an active market is determined by appropriate valuation techniques, including forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward interest rate curves.

ii. Financial instruments at cost or amortized cost
Financial instruments not measured at fair value are measured at cost or amortized cost.

For financial assets and financial liabilities measured at amortized cost, interest is recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

Impairment

i. *Loss in value of an investment (not quoted in an active market)*
A writedown is recognized in the Statement of Operations and Accumulated Surplus when there has been a loss in the value of the investment considered as an 'other than temporary' loss. A loss is considered 'other than temporary' when the carrying value of the investment exceeds its actual value for a prolonged period of time. If the actual value of the portfolio investment subsequently increases, the writedown to the statement of operations is not reversed.

ii. *Loans receivables impairment*
A loan portfolio valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans. A loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The valuation allowance is underpinned by a risk rating process in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A number of factors are considered when determining the appropriate level of the valuation allowance, including sensitivity to risk ratings, industry sectors, portfolio quality, business mix, and economic and credit market conditions. A valuation allowance is also established in instances of known client credit deterioration at the expected non-recoverable portion of the loan receivable.

Cash and cash equivalents
Cash and cash equivalents include cash on deposit and highly liquid investments with a term to maturity of one year or less.

Derivative financial instruments
Infrastructure Ontario uses derivative financial instruments, specifically interest rate swaps, to manage its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and are subsequently re-measured to fair value at each reporting date. Derivatives are carried as financial assets when the fair value is in a receivable position and as financial liabilities when the fair value is in a payable position.

Any unrealized gains or losses arising from changes in the fair value of derivatives are recorded in the statement of re-measurement gains and losses and are subsequently re-classified to the statement of operations upon settlement.

Tangible capital assets
Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer equipment	3 years
Software	5 years
Furniture, fixtures and office equipment	3 – 10 years
Leasehold improvements	5 – 10 years

Impairment of tangible capital assets
The Agency reviews the carrying value of tangible capital assets for potential impairment when there is evidence that events or changes in circumstances exist, that indicate that a tangible capital asset no longer contributes to the government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. In these circumstances, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. No such impairment losses have been incurred to date.

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2015 and 2014

Revenue recognition

Interest revenue and investment income

Interest on investments and loans receivables are recognized using the effective interest rate method.

Project delivery fees and project transaction fees

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded when an arrangement is in place, costs are incurred, and collectability is reasonably assured. Revenue from fixed price contracts is recorded using the percentage of completion method. Percentage of completion is calculated based on a ratio of cost incurred to total estimated costs. Losses, if any, on fixed price contracts are recognized during the period they are identified.

Management fees and recoverable advisory costs

Management fees and recoverable advisory costs are recognized as revenue when an arrangement is in place, services are provided and collectability is reasonably assured.

2. CASH AND CASH EQUIVALENTS

($'000)		**2015**		2014
Cash	$	**423,863**	$	87,023
Cash equivalents		**660,964**		700,298
	$	**1,084,827**	$	787,321

Cash equivalents include money market investments and short term fixed income instruments recorded at cost, which closely approximate fair value. At March 31, 2015, the interest rates on these investments ranged from 0.69 % to 1.06% (2014 – 1.00% to 1.17%).

3. ACCOUNTS RECEIVABLES

($'000)		**2015**		2014
Trade accounts receivable	$	**100,671**	$	74,107
HST receivable		**4,891**		78,341
	$	**105,562**	$	152,448

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2015 and 2014

4. LOANS RECEIVABLES

($'000)	2015		2014	
Construction advances				
Infrastructure renewal loan program	$ 544,952		$ 733,947	
	544,952		733,947	
Debentures receivables		**Interest %**		Interest %
Concessionary loan program				
Maturity terms:				
6 to 10 years	41,267	2.06-2.71	66,960	2.06-2.71
11 to 15 years	36,686	2.28-2.67	42,039	2.28-2.67
16 to 20 years	279,784	2.36-2.95	304,538	2.36-2.95
Greater than 20 years	64,120	2.52-3.05	66,882	2.52-3.05
	421,857		480,419	
Infrastructure renewal loan program				
Maturity terms:				
1 to 5 years	90,429	1.18-3.97	29,771	1.48-5.07
6 to 10 years	564,874	1.86-5.51	470,932	2.42-5.20
11 to 15 years	614,655	2.59-5.26	578,151	2.37-5.37
16 to 20 years	1,073,929	2.77-5.89	1,024,380	3.17-5.89
Greater than 20 years	1,553,781	2.77-5.91	1,554,857	3.19-5.91
	3,897,668		3,658,091	
Total	4,864,477		4,872,457	
Deferred costs on concessionary loans				
Deferred costs, beginning of year	(58,616)		(67,741)	
Amortization of concession costs	8,206		9,125	
Deferred costs, end of year	(50,410)		(58,616)	
Loan valuation allowance	(16,730)		(11,044)	
Loans receivables	$ 4,797,337		$ 4,802,797	

Construction advances are loans due from municipalities, other public sector bodies and not for profit entities. The interest rate on these construction loans is 30 day Bankers' Acceptances plus a fixed spread in basis points depending on the risk categorization of the counterparty. These loans are of a shorter term than the debentures (usually less than five years), and are repaid when construction is complete.

Debentures receivables are due from municipalities, other public sector clients and not for profit entities, with terms ranging from five to 40 years.

Infrastructure Ontario manages its credit risk with the current loan portfolio through various provisions in the loan agreements. The Agency has an intercept mechanism with the Province, which allows for funds owing to a borrower that receives funding from the Province to be redirected to Infrastructure Ontario. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower is required to provide security and in some cases, provide loan insurance.

The Loan receivable from the Medical and Related Sciences (MaRS) was transferred to the Ministry of Research and Innovation on March 31, 2015.

5. DERIVATIVES

Infrastructure Ontario employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivatives. Infrastructure Ontario does not use derivatives for speculative purposes.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, which is the borrower and lender, uses derivatives to create hedges for instruments with differing maturity dates. The interest rate variability risk is managed through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby, effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2015, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Statement of Financial Position. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

		Maturity					
($'000,000)		**Within 1 Year**	**2 to 5 Years**	**6 to 10 Years**	**11 to 15 Years**	**Over 15 Years**	**Total Notional Value**
Debt	$	786	1,109	967	-	853	3,715
Loans receivables	$	270	1,065	1,240	772	971	4,318

Derivatives are recorded at fair value as at March 31, 2015 resulting in a derivative asset of $357.4 million, derivative liabilities of $489.5 million and an unrealized loss on the statement of re-measurement gains and losses of $132.1 million (2014 – derivative asset of $209.3 million, derivative liabilities of $245.1 million and an unrealized loss on the statement of re-measurement gains and losses of $35.8 million). Fair values for both were determined using Level 2 basis of valuation as defined in Note 1.

All, except one, interest rate swap agreements are with OFA, (an entity also under the control of the Government of Ontario) as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual interest rate swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction. The one exception is a swap currently held with MaRS, a former borrower of the Agency. The swap transaction was executed to offer interest rate and cash flow stability to MaRS against the variable rate loan it had borrowed from Infrastructure Ontario. The loan was transferred to the Ministry of Research and Innovation (MRI) on March 31, 2015. However, the swap remains with Infrastructure Ontario until maturity.

The fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as the time value and yield curve underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

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6. PROJECTS RECEIVABLES

Project receivables are amounts which have been recognized as revenue or expense recoveries either on a percentage of completion method or when the recoverable expenses were incurred, but have not yet been invoiced. Certain projects receivables, including interest costs to finance the receivables, will not be invoiced until the completion of the project. Projects receivables are due from various Provincial Ministries, Ontario Crown Agencies and other public sector organizations.

7. INVESTMENTS

Investments consist of bonds utilized as economic hedging instruments to mitigate some of the interest rate risk between when funds are borrowed and lent. These investments are carried at amortized cost. At March 31, 2015 the interest rates on these investments ranged from 2.10% to 4.40% (2014 – 2.10% to 3.50%) and maturities from June 2015 to June 2024.

8. OFA CREDIT FACILITY

OFA, an agency of the Province, provides Infrastructure Ontario with a subordinated revolving credit facility of up to $200.0 million to provide working capital for project management and project delivery programs. Advances are to be repaid upon completion of individual projects. At March 31, 2015, Infrastructure Ontario had one draw of $10.0 million outstanding on the credit facility, with interest at the Province's cost of funds for borrowings with a similar term of 1.59% maturing July 2015 (2014 – $25.0 million).

Infrastructure Ontario enacted a borrowing by-law effective June 6, 2011 extending the Agency's authorization to borrow funds until June 29, 2016 and extending the mandatory repayment date for all borrowings to June 29, 2019. Subsequently, Infrastructure Ontario and OFA entered into an amending agreement extending the date to which Infrastructure Ontario may borrow funds until June 29, 2016 and extending the mandatory repayment date to June 29, 2019.

9. DEBT – LOAN PROGRAM

Capital Funding:

($'000)		**2015**		2014
Province of Ontario loan	$	**799,681**	$	799,681
Ontario Clean Water Agency loan		**120,000**		120,000
	$	**919,681**	$	919,681

Program Funding:

($'000)		**2015**		2014
Commercial Paper	$	**-**	$	659,241
Short-term Credit Facility		**735,000**		-
Infrastructure Renewal Bonds		**950,000**		950,000
OIPC/OILC bonds and FRNs		**2,780,000**		2,690,000
Ontario Immigrant Investor Corporation loans		**576,342**		534,342
	$	**5,041,342**	$	4,833,583
Debt issue costs		**(8,971)**		(10,111)
	$	**5,952,052**	$	5,743,153

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Province of Ontario Loan
The Province provides Infrastructure Ontario with a 50 year subordinated loan of approximately $800 million in exchange for a promissory note that matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month Treasury bill rate and payable quarterly. On March 31, 2015, interest on the note was reset at 0.69% (2014 – 0.97%).

Ontario Clean Water Agency Loan
The Ontario Clean Water Agency (OCWA), an agency of the Province, provides a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note that matures on March 1, 2023. The interest rate on the note is reset monthly at four basis points below the one month Canadian Dollar Offered Rate (CDOR) payable quarterly. On March 31, 2015, interest on the note was reset to 0.98% (2014 – 1.22%).

Together the Province of Ontario and OCWA loans provide Infrastructure Ontario with its liquidity reserve which provides: (i) credit protection to investors of unsubordinated debt such as Infrastructure Renewal Bonds and previously the Commercial Paper; (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating. Infrastructure Ontario invests the funds in liquid short term fixed income securities.

Commercial Paper
Infrastructure Ontario issued notes under a commercial paper program to fund its short term construction loan program. The commercial paper program was authorized to issue a maximum of $750 million for terms of up to one year and was refinanced by a revolving short-term credit facility with the Province of Ontario and is administered by OFA.

Short-term Credit Facility
Effective May 2014, Infrastructure Ontario issues short term notes under a short term revolving credit facility to fund its short term construction loans. The revolving credit facility with the Province of Ontario is authorized to issue a maximum of $900 million for terms ranging from three months and up to one year. As at March 31, 2015, maturities ranged from April 1, 2015 to June 15, 2015, while interest on the notes ranged from 0.76% to 1.12%.

Infrastructure Renewal Bonds
Infrastructure Ontario assumed $650 million of Infrastructure Renewal Bonds, on July 17, 2006, the date of amalgamation with Ontario Strategic Infrastructure Financing Authority (OSIFA). The bonds bear interest at 4.60% per annum and mature on June 1, 2015.

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

OIPC / OILC Bonds and FRNs
Infrastructure Ontario issued Ontario Infrastructure Projects Corporation (OIPC) and Ontario Infrastructure and Lands Corporation (OILC) bonds and Floating Rate Notes (FRN) to the Province for the purpose of funding its loan program. The bonds and FRN's are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario.

At March 31, 2015, interest on fixed rate bonds ranged from 2.02% to 4.96% (2014 – 2.02% to 4.96%) per annum and maturities ranged from September 2015 to June 2045. Interest is paid semi-annually on these bonds until maturity. The FRN's bear interest from three month CDOR plus 16 basis points to three month CDOR plus 22 basis points and the maturity of the notes is June 30, 2018. Interest is reset and paid quarterly until the maturity of the FRN's.

Ontario Immigrant Investor Corporation Loans
Ontario Immigrant Investor Corporation (OIIC), an agency of the Province, provides five-year subordinated loans. The loans are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario.

As at March 31, 2015, interest on fixed rate bonds ranged between 1.86% and 3.05% (2014 – 1.86% to 3.05%) compounded semi-annually and paid on maturity. Maturities ranged from January 2016 to July 2019. Interest on bonds bearing a variable rate of interest is reset and compounded quarterly with a floor rate of 1.55% (2014 – 1.55%) per annum. Maturities ranged from October 2016 to January 2019.

10. TANGIBLE CAPITAL ASSETS

Year ended March 31, 2015

($'000)		Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost						
Balance, April 1, 2014	$	15,667	4,153	1,984	9,828	31,632
Additions		661	-	-	-	661
Balance, March 31, 2015		16,328	4,153	1,984	9,828	32,293
Accumulated amortization						
Balance, April 1, 2014		13,672	4,153	1,780	6,662	26,267
Amortization		1,086	-	91	828	2,005
Balance, March 31, 2015		14,758	4,153	1,871	7,490	28,272
Net book value – March 31, 2015	$	1,570	-	113	2,338	4,021

Year ended March 31, 2014

($'000)		Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost						
Balance, April 1, 2013	$	14,008	4,506	1,984	9,828	30,326
Additions/(disposals)		1,659	(353)	-	-	1,306
Balance, March 31, 2014		15,667	4,153	1,984	9,828	31,632
Accumulated amortization						
Balance, April 1, 2013		12,872	4,128	1,689	5,799	24,488
Amortization		800	25	91	863	1,779
Balance, March 31, 2014		13,672	4,153	1,780	6,662	26,267
Net book value – March 31, 2014	$	1,995	-	204	3,166	5,365

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11. INTEREST INCOME (EXPENSE) AND INVESTMENT INCOME

($ 000)		2015 Budget (unaudited)		2015		2014
Interest revenue	$	166,086	$	175,721	$	159,628
Investment income		15,596		20,270		7,208
Interest expense		(163,907)		(164,687)		(156,279)
Net interest margin	$	17,775	$	31,304	$	10,557

The breakdown of interest expense on debt is as follows:

($ 000)		2015		2014
Capital funding interest				
Province of Ontario loan	$	7,665	$	8,138
Ontario Clean Water Agency loan		1,605		1,610
	$	9,270	$	9,748

($ 000)		2015		2014
Program funding interest				
Commercial Paper	$	6,796	$	7,215
Short-term Credit Facility		5,288		-
Infrastructure Renewal Bonds		44,100		48,087
OIPC/OILC Bonds and FRNs		85,695		81,976
Ontario Immigrant Investor Corporation loans		13,538		9,253
	$	155,417	$	146,531
Total interest expense	$	164,687	$	156,279

The reconciliation of cash interest received and paid to net interest margin is as follows:

($ 000)		2015		2014
Cash interest received	$	197,752	$	180,395
Cash interest paid		(171,677)		(168,326)
		26,075		12,069
Investment income and non-cash interest				
Gain/(loss) on sale of investments		3,286		(6,380)
Amortization of loan concession costs (Note 8)		9,206		9,125
Other non-cash interest		(7,263)		(4,257)
Net interest margin	$	31,304	$	10,557

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Other non cash interest includes net interest accrued (revenue and expense), and the amortization of debt issue costs and premiums/discounts on purchase of investments.

15. GENERAL AND ADMINISTRATION EXPENSES

($ 000)		2017 Budget (unaudited)		2017		2016
Communications and strategic advisory services	$	[illegible]	$	[illegible]	$	[illegible]
Information technology		[illegible]		[illegible]		[illegible]
Office and administration		[illegible]		[illegible]		[illegible]
Premises		[illegible]		[illegible]		[illegible]
Professional and consulting services		[illegible]		[illegible]		[illegible]
Amortization		[illegible]		[illegible]		[illegible]
	$	[illegible]	$	[illegible]	$	[illegible]

16. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as [illegible]% of its revenue for the year ended March 31, 2017 (2016 – [illegible]%) was received from the Province for the provision of services to various Ontario Crown Agencies and Ministries, including the Ministry of Health and Long-Term Care, the Ministry of the Attorney General, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, and the Ministry of Transportation, in addition to Ministry of Economic Development, Employment and Infrastructure.

Infrastructure Ontario's prime sources of revenue from the Province are:

1. Project delivery fees and project transaction fees
   Fees based on a percentage of project costs or a cost recovery basis charged for services, including project and contract management, provided to various Ontario Crown Agencies and Ministries.

2. Management fees
   Fees charged for services, including property and project management, provided to the Ministry's General Real Estate Portfolio.

3. Recoverable advisory costs
   Third party advisory services provided to various Ministries and Ontario Crown Agencies on a cost recovery basis.

Infrastructure Ontario has interest bearing loans from the [illegible], the Province of Ontario, [illegible] and OFA (Notes [illegible]).

Infrastructure Ontario has incurred costs for services from OFA of $[illegible] million for the year ended March 31, 2017 (2016 – $[illegible] million).

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14. FUTURE EMPLOYEE BENEFITS

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province. The contribution to the pension plan of $0.5 million for the year ended March 31, 2015 (2014 – $0.5 million) is based on formulas set by the Ontario Pension Board and has been expensed. The cost of post-retirement, non-pension employee benefits for these employees is paid by the Ministry of Government Services and is not included in the financial statements.

The Agency provides a defined contribution pension plan for all other full-time employees. The Agency's contribution to this plan for the year ended March 31, 2015 was $2.8 million (2014 – $2.5 million).

15. RISK MANAGEMENT

The principal risks that Infrastructure Ontario is exposed to as a result of holding financial instruments are credit, market, liquidity and interest rate risks. The Risk Committee of the Board of Directors reviews and the Board of Directors approves policies for managing each of these risks, which are summarized below.

Credit risk
Credit risk is the risk of loss arising from a counterparty's inability to fulfill its financial contractual obligations to Infrastructure Ontario. The Agency is exposed to credit risk on cash accounts, investments and receivables, but primarily on loans receivables. The Agency manages and controls credit risk through the implementation of policies and review processes.

Credit risk – Loans receivables
Oversight of the credit risk of the Lending Program is the primary concern of the Risk Committee of the Board of Directors.

The Credit Risk Policy ensures loan amounts are commensurate with both the borrower's ability to service debt and Infrastructure Ontario's own risk tolerance. The Credit Risk Policy establishes principles for evaluating credit risk for each sector of borrowers and establishes maximum loan concentration limits based on the risk and subsequent debt service capacity of the borrower. Separate underwriting and credit functions exist to ensure an independent review and challenge through the adjudication process. Due diligence is conducted and a final scoring and recommendation for each applicant is presented to the management Credit Review Committee and to the Board of Directors for approval, if necessary, based on Infrastructure Ontario's Delegation of Authority.

Infrastructure Ontario has a risk based loan review process that covers all lending sectors and provides early identification of possible changes in the credit worthiness of counterparties. The objectives of the loan review are to: assess the status of funded projects in construction; ensure payment and covenant compliance over the term of the loan; initiate timely corrective action to minimize any potential credit loss; and escalate potential loan repayment issues to the management Credit Review Committee and the Board of Directors.

Infrastructure Ontario's maximum exposure to credit risk on loans receivables, excluding derivatives and without taking into account any collateral held or other credit enhancements, as at March 31, 2015 was $4,797.3 million. There are no loans past due.

Infrastructure Ontario classifies and manages its loans by tiers. Tier one borrowers have a tax base and receive provincial transfers which provide a strong source of debt repayment. Tier two borrowers are in sectors that are either regulated or entitled to government based revenue contracts and therefore have a stable source of debt repayment. Tier three borrowers are organizations dependent on self generated revenues either by market-set prices or donations and fund raising.

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The public sector nature of Infrastructure Ontario's borrowers present a low level of credit risk due to the unique ability of the borrowers to generate or receive revenue for essential public services or from low risk business models that serve the public sector interest. The profile of the loans receivables at March 31, 2015 is as follows:

($'000)		Gross Outstanding	Loan Valuation Allowance	Net
Tier 1				
Municipalities	$	3,296,087		
Universities		171,174		
Local Service Boards		378		
		3,467,639	**-**	**3,467,639**
Tier 2				
Local Distribution Corps.		272,561		
Long Term Care		168,138		
Affordable Housing (CMHC)		125,930		
Affordable Housing (no CMHC)		188,536		
Social Housing		303,410		
Aboriginal Health Access Centres		3,910		
Community Health & Social Service Hubs		15,457		
		1,077,942	**(4,220)**	**1,073,722**
Tier 3				
Power Generators		143,115		
District Energy		29,001		
Municipal Corporations (Other)		33,407		
Beneficial Entities (Arts Training, Hospices, etc.)		112,361		
Sports and Recreation		1,012		
		318,896	**(12,510)**	**306,386**
Deferred costs on concessionary loans				
Deferred costs, beginning of year		(58,616)		
Amortization of concession costs		8,206		
Deferred costs, end of year		**(50,410)**	**-**	**(50,410)**
Loans receivables	$	**4,814,067**	**(16,730)**	**4,797,337**

Collateral

Infrastructure Ontario leads on the strength of applicants' ability to service loan payments over time. The Agency does not lend on a residual asset value basis and does not factor in possession or control of an asset in the evaluation of debt service coverage. It lends on the basis of a strong assurance of permanent sources of cash flow, namely the unique position of many borrowers to generate tax revenue or receive funding from the Province. Infrastructure Ontario mitigates its credit risk from the loan portfolio through various mitigation control provisions. The Agency has an intercept mechanism with the Province which allows for funds owing to certain borrowers (including municipalities) that receive funding from the Province, to be redirected to Infrastructure Ontario. Clients that do not receive provincial funding are required to provide adequate security such as: guarantees, first ranking mortgage/charge, general security agreement, assignment of rents and leases and assignment of accounts, agreements and collateral.

Impairment

The loan valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans based on current repayment forecasts.

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The loan valuation allowance is based on an assessment of existing economic, industry and portfolio conditions which may indicate that valuation is impaired or losses incurred. The loan valuation allowance is underpinned by a risk rating process in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A number of factors are considered when determining the appropriate level of the loan valuation allowance, including sensitivity to risk ratings, industry sectors, portfolio quality, business mix, and economic and credit market condition.

Credit risk – Cash, Receivables and Investments
Infrastructure Ontario's maximum exposure to credit risk on the cash, receivables and investments, excluding derivatives and without taking into account any collateral held or other credit enhancements, as at March 31, 2015 was:

($'000)		2015		Past Due
Cash and cash equivalents	$	1,084,827	$	-
Accounts receivables		105,562		33,538
Interest receivable		63,966		-
Investment income receivable		2,173		-
Projects receivables		64,203		-
Investments		215,211		-
	$	1,535,942	$	33,538

There is no valuation allowance provided against cash, receivables and investments as at March 31, 2015.

Market risk
Market risk is the risk the fair value of a financial instrument will fluctuate due to changes in market prices. The Agency has market risk on investments purchased as an economic hedge against borrowed funds that are surplus to immediate lending requirements. These investments are sold as required in order to fund loans. The entity only invests in bonds that are authorized under the approved policies and therefore are highly rated by recognized credit rating agencies and that can be easily readily liquidated.

Interest rate risk
Interest rate risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises when the re-pricing of assets is not aligned with the re-pricing of liabilities. For example, in its lending portfolio, if the Agency lends for a 20-year term (assets) and the debt that it issues to obtain the funds (liabilities) has a shorter term, it may have to issue the debt several times over the life of the asset. Each time the debt is rolled over or re-financed; there is a risk interest rates will have risen, resulting in lower net interest income on the loan.

Management controls interest rate risk through the use of interest rate swap derivatives as well as through the alignment of asset and liability risk structures and maturities. For instance, management has mitigated most of its interest rate risk on its capital funding by investing in offsetting investments with rates that approximate those on the loans from the Province and OCWA.

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of long term debt and issuing loans. To manage this interest rate risk, Infrastructure Ontario invests in bonds with similar maturities to offset the interest rate risk until funds are loaned out.

For the floating rate construction loan portfolio, interest rate risk is largely mitigated by funding them with similar maturity short-term notes. Management of the interest rate risk on the long-term fixed rate loans on the other hand is accomplished through a combination of the use of similar maturity funding and employing interest rate swap derivatives through the OFA.

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Infrastructure Ontario's Asset-Liability Management Policy requires continuous monitoring and reporting of the interest rate risk position to senior management and the Risk Committee of the Board of Directors. The Asset-Liability Management Policy provides senior management with the tools to manage interest rate risk and the authority to instruct OFA Capital Markets staff to execute financial transactions to manage interest rate risk, including the use of derivatives. The Agency manages to a strict interest rate risk limit which specifies the maximum expected loss under a presumed 100 basis point shift in interest rates and further limits the potential for loss exposure by minimizing exposures to any particular key rate point on the yield curve.

Sensitivity to variations in interest rates

The sensitivity of a +/-1% change in the interest rate would have $1.7M/ ($1.7M) impact on the annual surplus (deficit); a +/-1 basis point (bp) change in the interest rate would have $1.1M/ ($1.1M) impact on the accumulated re-measurement gains and losses.

Liquidity risk

Liquidity risk is the risk Infrastructure Ontario will not be able to meet its financial obligations as they come due. Its lenders are protected by the Capital funding, funded by long-term subordinated loans provided by the Province and OCWA. The Capital funding is invested in short-term, liquid instruments that can be converted into cash in the event of any foreseeable liquidity crisis (for example, failure of an Infrastructure Ontario debt issue to close when expected or large unanticipated client cash requirements).

The primary objectives for the investment strategy are to maintain the safety of the principal and provide flexibility and liquidity with respect to the reserve. The Asset-Liability Management Policy establishes limits on the type and tenor as a percentage of total holdings of all investments and complies with the *Financial Administration Act 1990* of the Province.

Infrastructure Ontario's Borrowing By-laws are approved by the Board of Directors and the Minister of Economic Development, Employment and Infrastructure as well as the Minister of Finance. Borrowing is reviewed with the Risk Committee of the Board on a quarterly basis. All borrowing is made with prudent consideration of interest rate and liquidity risks and complies with the Asset-Liability Management Policy. OFA coordinates and executes all borrowing activities. Infrastructure Ontario borrows directly from the Province for its long-term funding needs through the OFA.

In addition to the Asset-Liability Management Policy's directives on liquidity management, the Agency has a Capital Management Policy, under the oversight of the Risk Committee of the Board of Directors to ensure sufficient liquidity. The Capital Management Policy's limits ensure that at all times there is sufficient risk reserve capital to prevent extreme loan loss scenarios from impacting investors in Infrastructure Ontario's Infrastructure Renewal Bonds.

The following illustrates the maturities of contracted obligations at March 31, 2015:

($'000)	Within 1 year	1 to 5 years	Over 5 years	Total
Accounts payables	$ 7,695	$ -	$ -	$ 7,695
Accrued liabilities	99,407	-	-	99,407
Interest payable	72,698	-	-	72,698
OFA credit facility	10,000	-	-	10,000
Debt – loan program	1,550,418	1,375,923	3,034,681	5,961,023
Unamortized debt issuance costs				(8,971)
Undisbursed loan commitments				940,170
Total non-derivative financial liabilities	**$ 1,740,218**	**$ 1,375,923**	**$ 3,034,681**	**$ 7,082,022**

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16. CONTINGENCIES

The Agency is involved in various disputes and litigation. In the opinion of management, the resolution of disputes against the Agency, including those provided for, will not result in a material effect on the consolidated financial position of the Agency.

17. COMMITMENTS

Minimum base rent annual payments under operating leases for the Agency's office space for the next five years are:

($'000)

Fiscal year		Amount
2015 – 2016	$	4,597
2016 – 2017		4,735
2017 – 2018		4,877
2018 – 2019		5,023
2019 – 2020		5,174
	$	**24,406**

18. FUNDS HELD IN TRUST

Infrastructure Ontario maintains several operating bank accounts and one short-term investment account, which it holds in trust and administers on behalf of the Ministry. The accounts relate directly to the operations of the Ministry's General Real Estate Portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for the Ministry at March 31, 2015 were $225.4 million (2014 – $197.9 million), and are not recorded in these financial statements.

Infrastructure Ontario is required by the Canadian Mortgage and Housing Corporation (CMHC) to collect property taxes and reserve funds as a condition of providing affordable housing loans. As part of the CMHC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. At March 31, 2015, the funds under administration were $46.7 million (2014 – $14.2 million).

Infrastructure Ontario maintains a project trust account to record funds received from Ministries and payable to project construction consortiums related to project substantial completion payments, interim payments, relief payments, as well as payments received for variations, furniture, fixture and equipment. Variations are changes to scope agreed to after the initial contract has been executed – also called contract change orders. All the above payments are paid directly by the sponsoring Ministries, but flow through Infrastructure Ontario. At March 31, 2015, Infrastructure Ontario held $18.1 million (2014 – $28.2 million) in its project trust account.

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19. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed. Infrastructure Ontario manages its operations to enable delivery and accountability on priorities such as those set by the Minister as well as corporate objectives determined by the Board. Infrastructure Ontario also assesses and anticipates future assignments and works to align its resources accordingly. As a result, Infrastructure Ontario is able to effectively allocate its resources and responsibilities by Operating Divisions in order to ensure efficiency and sustainability of operations over the period of the business plan. The table below is a summary of financial information by segment:

For the year ended March 31, 2015

($'000)	**Major Projects**	**Commercial Projects**	**Lending**	**Real Estate**	**Total**
Revenues					
Interest revenue	$ -	-	175,721	-	175,721
Investment income	-	-	20,270	-	20,270
Project delivery fees	25,224	3,557	-	10,302	39,083
Project transaction fees	5,955	-	-	-	5,955
Management fees	-	-	-	40,518	40,518
Recoverable advisory costs	18,878	3,307	-	2,177	24,362
	50,057	**6,864**	**195,991**	**52,997**	**305,909**
Expenses					
Salaries and benefits	24,423	2,772	4,134	32,752	64,081
General and administration	7,408	820	2,876	9,336	20,440
Program expenses					
Project transaction cost	13,674	-	-	-	13,674
Recoverable advisory costs	18,878	2,895	-	2,177	23,950
Interest expense	-	-	164,687	-	164,687
Loan valuation allowance	-	-	5,686	-	5,686
Sub-contracting fees	-	-	-	9,906	9,906
Project funding expenses	171	-	-	-	171
Total program expenses	**32,723**	**2,895**	**170,373**	**12,083**	**218,074**
	64,554	**6,487**	**177,383**	**54,171**	**302,595**
Surplus/(deficit)	**$ (14,497)**	**377**	**18,608**	**(1,174)**	**3,314**

INFRASTRUCTURE ONTARIO
NOTES TO FINANCIAL STATEMENTS
March 31, 2015 and 2014

For the year ended March 31, 2014 (Note 21)

($'000)	Major Projects	Commercial Projects	Lending	Real Estate	Total
Revenues					
Interest revenue	$ -	-	159,424	-	159,424
Investment income	-	-	7,291	-	7,291
Project delivery fees	49,050	2,772	-	10,447	62,269
Project transaction fees	9,205	-	-	-	9,205
Management fees	-	-	-	40,106	40,106
Recoverable advisory costs	24,366	4,901	-	3,787	33,054
	82,621	7,673	166,715	54,340	311,349
Expenses					
Salaries and benefits	20,531	3,110	4,063	30,326	58,030
General and administration	5,737	721	3,430	9,536	19,424
Program expenses					
Project transaction cost	5,523	-	-	-	5,523
Recoverable advisory costs	24,366	3,778	-	2,806	30,950
Interest expense	-	-	154,379	-	154,379
Loan valuation allowance	-	-	7,230	-	7,230
Sub-contracting fees	-	-	-	9,664	9,664
Project funding expenses	1,283	-	-	-	1,283
Total program expenses	31,172	3,778	161,609	12,470	209,029
	57,440	7,609	169,102	52,332	286,483
Surplus/(deficit)	$ 25,181	64	(2,387)	2,008	24,866

20. SUBSEQUENT EVENTS

Subsequent to March 31, 2015, the Agency started funding its loans on a back to back basis and directly from the Province. The new debt structures mirror the underlying loans they fund and have similar terms including the maturity, the payment frequency and the type of amortization. The new funding structure will create a perfect match between the assets and liabilities and eliminate the need to use derivatives to hedge interest rate risks.

The Agency refinanced its maturing IRB on June 1, 2015 by issuing a 10 year $460 million Floating Rate Note (FRN) to the Province and settling the balance in cash.

21. COMPARATIVE FIGURES

The segmented information has been changed from three to four business lines in 2014-15 to align with the Company's strategic outlook. Land Development was removed from Project Delivery and merged with Real Estate Management and planning to reflect the nature of the Real Estate initiatives. Commercial Projects was separated from Project Delivery to emphasize the important services this group provides by leveraging private sector partnerships and investments. Due to the change in business line, certain comparative figures have been reclassified to conform to the current presentation.

777 Bay Street, 14th Floor
Toronto ON M5G 2E5
Tel: (416) 585-6455
Fax: (416) 585-7330

777, rue Bay, 14e étage
Toronto ON M5E 2E5
Tél: (416) 585-6455
Télécopieur: (416) 585-7330

Ontario
Ontario Mortgage and Housing Corporation
Société ontarienne d'hypothèques et de logement

Management's Responsibility for Financial Statements

The accompanying financial statements of the Ontario Mortgage and Housing Corporation have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 18, 2015.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis.

The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board of Directors reviews and approves the financial statements.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management,

Alison Coke
Chief Executive Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Mortgage and Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the accompanying financial statements of the Ontario Mortgage and Housing Corporation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Mortgage and Housing Corporation as at March 31, 2015 and the results of its operations and accumulated deficit, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 18, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Financial Position

As at March 31, 2015

	March, 31, 2015 ($ 000)	March 31, 2014 ($ 000)
Liabilities		
Accounts payable and accrued liabilities (Note 5)	8,010	9,977
Long-term debt (Note 6)	404,022	468,844
Long-Term Environmental Remediation (Note 3)	62,016	-
	474,048	478,821
Financial Assets		
Cash	1,340	1,442
Accrued interest from Universities and Colleges	119	191
Due from Province of Ontario	6,915	8,677
Investments in student housing properties (Note 4)	7,419	11,672
	15,793	21,982
Net Debt and Accumulated Deficit	(458,255)	(456,839)

Contingent Liabilities (Note 7)

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

Janet Hope, Chair

Alison Coke

Alison Coke, Chief Executive Officer

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Operations and Accumulated Deficit

For the year ended March 31, 2015

	Budget ($ 000)	2015 ($ 000)	2014 ($ 000)
Revenue			
Subsidies from Province of Ontario:			
Debt service obligations	89,505	89,505	91,990
Environmental Remediation (Note 3)	312	689	1,794
Interest received from Student Housing	706	595	804
Miscellaneous	10	31	40
Total revenues	90,533	90,820	94,628
Expenses			
Debentures Interest:			
Devolved properties	28,936	28,936	33,115
Student housing	706	595	804
Environmental Remediation (Note 3)	312	-	2,108
Miscellaneous	10	-	4
Total expenses	29,964	29,531	36,031
Excess of Revenues over Expenses (Note 8)	60,569	61,289	58,597
Accumulated Deficit, beginning of year, before adjustment	(456,879)	(456,839)	(515,436)
Adjustment for adoption of new accounting policy for contaminated sites (Note 3)	-	(62,705)	-
Accumulated Deficit, beginning of year, adjusted	(456,879)	(519,544)	(515,436)
Accumulated Deficit, end of year	(396,310)	(458,255)	(456,839)

The accompanying notes are an integral part of these financial statements.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Statement of Cash Flows
For the year ended March 31, 2015

	2015 ($ 000)	2014 ($ 000)
Operating transactions		
Annual Surplus	61,289	58,597
Collection of Accrued Interest from Universities and Colleges	72	23
Decrease in Due from the Province of Ontario	1,762	2,027
Decrease in Accounts Payable and Accrued Liabilities	(1,967)	(1,668)
Decrease in Long-Term Environmental Remediation	(689)	-
Cash provided by operating transactions	60,467	58,979
Financing Transactions		
Collection of Ontario Student Housing Long-Term Debt	4,253	1,482
Long-Term Debt Repayment		
– Province of Ontario	(6,892)	(6,435)
– CMHC	(57,930)	(53,921)
Cash applied to financing transactions	(60,569)	(58,874)
(Decrease)/Increase in Cash	(102)	105
Cash Balance at Beginning of Year	1,442	1,337
Cash Balance at End of Year	1,340	1,442

The accompanying notes are an integral part of these financial statements.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2015

1. Nature of Operations

Under the *Social Housing Reform Act 2000*, the Corporation transferred, for no consideration, ownership of public housing units to Local Housing Corporations ("LHCs") which are controlled by Municipal Service Managers. The Corporation retained its Investment in Student Housing and certain other assets, and responsibility for administering the Corporation's debts, and contingent liabilities. The Ontario Ministry of Municipal Affairs and Housing ("the Ministry") provides the Corporation with subsidies to cover its debt service payments and other expenses.

2. Significant Accounting Policies

Significant accounting policies followed by the Corporation are summarized below:

(A) BASIS OF ACCOUNTING

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(B) REVENUES

Subsidies from the Province of Ontario ("the Province") are accounted for as revenue when received, which is when the related expenses are incurred and when the environmental remediation liability is settled.

(C) EXPENSES

Expenses are reported on an accrual basis as incurred. These expenses include debt servicing cost such as interest expenses.

(D) FINANCIAL INSTRUMENTS

- Cash and Cash Equivalents

  Cash and cash equivalents include cash on hand.

- Loans and Receivables

  Accrued Interest from Universities and Colleges, due from the Province, Investments in Student Housing Properties (note 4) and Interest Receivable are measured at amortized cost.

- Debt and other Financial Liabilities

  Long-Term Debt, which consists of loans from the Province and Canada Mortgage and Housing Corporation debentures (note 6), is measured at amortized cost.

  Accounts Payable and Accrued Liabilities (note 7) are measured at cost.

(E) LIABILITY FOR CONTAMINATED SITES: ADOPTION OF NEW PUBLIC SECTOR ACCOUNTING (PSA) STANDARD

In 2014-15, the Corporation adopted the new PSA standard PS3260 Liability for Contaminated Sites. This section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2015

concentrations under an environmental standard. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Corporation is:
  - directly responsible; or
  - accepts responsibility;
- the Corporation expects that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Detailed information on the impact of the adoption of this new PSA standard is provided in Note 5 Liability for Contaminated Site.

(f) ACCUMULATED DEFICIT

The Accumulated Deficit that resulted from the transfer of properties to LHCs for no consideration is reduced each year by an amount equal to the portion of the subsidy from the Province required to cover principal payments on the Corporation's long-term debt. The Accumulated Deficit is also reduced by the revenues provided by the Province to settle the Corporation's Long-Term Environmental Remediation liability.

(g) STATEMENT OF CHANGES IN NET DEBT

A Statement of Changes in Net Debt has not been included in these financial statements because the information it would provide is readily apparent from the other financial statements.

(h) USE OF ESTIMATES

Preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from those estimates. Significant estimates include Long-Term Environmental Remediation Liability and Contingent Liabilities on Contaminated Sites.

3. Long-Term Environmental Remediation

Effective April 1, 2014 the Corporation adopted the new PS3260 Liability for Contaminated Sites standard. The standard requires the recognition of a liability for the remediation of contaminated sites in the financial statements when the recognition criteria outlined in the standard are met. This change in accounting policy has been applied retroactively through adjustment to the opening balance of the Net Debt and Accumulated Deficit. The impact on adoption of this standard is as follows:

	April 1, 2014 ($000)
Increase in Long-Term Environmental Remediation Liability	62,703*
Increase in opening Net Debt and Accumulated Deficit	(62,703)

*The liability is discounted using the provincial borrowing rate for debentures with similar maturity (average 1.25%). The undiscounted value of the accrued liability is $66.7 million.

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2015

3. Long-Term Environmental Remediation (Continued)

The liability is management's best estimate based on environmental investigations performed by independent experts and reflects the costs required to remediate the sites. Remediation is expected to occur within the next seven years.

There are two contaminated site remediation projects as at March 31, 2015 - one ongoing project (the multi-year Regent Park redevelopment project) and one potential project (the Alexandra Park redevelopment).

Regent Park, formerly owned by the Corporation, is being re-developed by the Toronto Community Housing Corporation (TCHC). The site has soil contamination as a result of historical industrial uses. Based on the redevelopment plan prepared by TCHC, it is expected that phases 2 and 3 will be completed by 2018-19 after which phases 4 and 5 will start. Current cost estimates, based on site testing reports, for phases 2 and 3 are $34 million and, for phases 4 and 5 are $29 million.

In June 2013, TCHC advised that an Environmental Site Assessment (ESA) identified soil and groundwater contamination on the Alexandra Park site. In March 2014, TCHC requested that the Corporation provide financial assistance for soil remediation work. Cost estimates to remediate the contamination total $3.7 million.

The Long-Term Environmental Remediation liability balance is comprised of the following:

	($000)
April 1, 2014 Opening Balance	62,705
Less: Liability Settled in the Current Year	689
Balance as at March 31, 2015	62,016

Cumulative costs for site remediation to March 31, 2015 are $12.6 million (2014 – $11.9 million).

4. Investments in Student Housing Properties

The Corporation's investments in student housing properties represents funds advanced to universities and colleges to cover building costs for student accommodation projects. Each advance is associated with a specific long-term debt obligation of the Corporation and each educational institution makes semi-annual payments to the Corporation equal to the payments on the Corporation's corresponding long-term debt. When the debt is fully repaid, title to the properties will be transferred to the respective institutions.

	March 31, 2015 ($ 000)	**March 31, 2014 ($ 000)**
Original Cost	35,115	35,115
Less: Accumulated Capital Repayments	27,696	23,443
	7,419	11,672

ONTARIO MORTGAGE AND HOUSING CORPORATION

Notes to the Financial Statements
For the year ended March 31, 2015

5. Accounts Payable and Accrued Liabilities

Most of the Accounts Payable and Accrued Liabilities balance is comprised of accrued interest payable on the Corporation's Long-Term Debt.

6. Long Term Debt

Long term debt is comprised of the following:

	March 31, 2015 ($ 000)	**March 31, 2014 ($ 000)**
Canada Mortgage and Housing Corporation	361,678	419,608
Loans Repayable to the Province	42,344	49,236
	404,022	468,844

The Corporation borrowed funds from the Canada Mortgage and Housing Corporation (CMHC) and received capital funds from the Province to finance investments in real property – now devolved to the LHCs. The capital funds provided by the Province are Loans Repayable to the Province, with interest and principal payments being made to the Ontario Ministry of Finance.

Interest on both the CMHC debt and the Loans Repayable to the Province are payable at various rates based on individual agreements – the average rates are 6.22% and 6.97% respectively (2014 – 6.33% and 7.04% respectively). Interest expense for March 31, 2015 totaled $29.5 million; (2014 – $33.9 million), $3.4 million (2014 – $3.9 million) of which was paid to the Province.

The interest expense is included in the Statement of Operations and Accumulated Deficit and is off-set by the subsidy from the Ontario Ministry of Municipal Affairs and Housing.

Scheduled payments over the next five years and thereafter are as follows:

	Gross Payments ($ 000)	**Principal Payments ($ 000)**
2016	86,508	63,177
2017	77,776	58,824
2018	71,046	56,339
2019	63,858	53,192
2020	41,483	34,604
Thereafter	85,051	74,265

ONTARIO MORTGAGE AND HOUSING CORPORATION
Notes to the Financial Statements
For the year ended March 31, 2015

7. Contingent Liabilities

(A) GUARANTEED DEBT

The Corporation previously entered into loan insurance agreements with CMHC pertaining to mortgage loans on projects funded under various provincially-funded non-profit housing programs administered by the Ministry. Under these agreements, CMHC has insured mortgage loans made by lenders approved under the *National Housing Act* for the purpose of purchasing, improving, constructing or altering housing units. While the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental liabilities, incurred as a result of the loan defaults.

The Corporation would request that the Ministry reimburse any costs incurred by the Corporation. As of March 31, 2015, there were $5.4 billion (2014 – $5.85 billion) of mortgage loans outstanding on provincially funded projects. To date, there have been no claims for defaults on the insured mortgage loans.

(B) CONTAMINATED SITES

The Corporation retains potential liability for cleaning up environmental contaminants of former public housing properties under the *Environmental Protection Act*, as noted in the former *Social Housing Reform Act, 2000* and maintained in the *Housing Services Act, 2011*. The Ministry reimburses the Corporation for costs incurred.

The Ministry completed its review in 2014-15 of the more than 1,500 former OMHC sites in order to better refine potential liabilities for environmental contamination. The potential liability is for soil and groundwater contaminants as defined under the *Environmental Protection Act*. Estimates were developed using a risk-based approach that analyzed current and historical land uses, local redevelopment potential, construction date and building type to assess potential environmental risk. A total of 50 sites were identified as having a high degree of risk for potential contamination. These 50 sites represent a potential contingent liability of approximately $295 million. The need for remediation would be confirmed if and when a Municipal Service Manager has identified a site for redevelopment.

8. Excess of Revenues over Expenses

The subsidies from the Province include amounts intended to cover the interest and principal payments on the Corporation's long-term debt. The interest is included in the Corporation's expenses and the excess of revenues over expenses represents the principal payments. The excess of revenues over expenses also includes the revenue to discharge the long-term environmental remediation liability.

9. Related Party Transactions

The Corporation is controlled by the Province and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. Transactions with related parties were:

(A) LOANS TO ONTARIO COLLEGES

As of March 31, 2015, the outstanding balance due from colleges with respect to loans for Student Housing Properties (note 4) was $647,000 (2014 - $705,000). Total interest and principal payments received from colleges was $108,000 (2014 - $108,000).

ONTARIO MORTGAGE AND HOUSING CORPORATION
Notes to the Financial Statements
For the year ended March 31, 2015

9. Related Party Transactions (Continued)

(B) ADMINISTRATIVE EXPENSES

The Ministry provides administrative services to the Corporation at no charge. The Corporation does not have any payroll expense as all personnel are the Ministry's employees and are paid by the Ministry.

10. Risk Management

The Corporation is not exposed to significant credit risk as amounts classified as loans and receivables are due primarily from the Province and publicly-funded Ontario colleges and universities. The Corporation is also not exposed to significant liquidity risk or interest rate risk. These risks are borne by the Province.

11. Budgeted Figures

Budgeted figures were prepared by the Corporation and approved by the Minister of Municipal Affairs and Housing.

12. Merger of Ontario Mortgage and Housing Corporation and Ontario Mortgage Corporation

Pursuant to amendments to the *Ontario Mortgage and Housing Corporation Act* that came into force on April 1, 2015, the Ontario Mortgage Corporation was dissolved and its assets, liabilities, rights, obligations and functions were transferred to Ontario Mortgage and Housing Corporation.

Ontario Northland Transportation Commission

Management's Responsibility

The Ontario Northland Transportation Commission's management is responsible for the integrity and fair presentation of the consolidated financial statements and other information included in the annual report. The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards. The preparation of consolidated financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods. All financial information in the annual report is consistent with the consolidated financial statements.

The Commission maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable and that the Commission's assets and liabilities are adequately accounted for and assets safeguarded.

The Commission is responsible for ensuring that management fulfils its responsibilities for internal control and financial reporting. The Commission meets with management and external auditors to satisfy itself that each group has met its responsibilities. These consolidated financial statements have been reviewed and approved by the Commission.

These consolidated financial statements have been audited by the Auditor General of Ontario, whose responsibility is to express an opinion on whether they are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report which follows, outlines the scope of the Auditor's examination and opinion.

T. Laughren
Chair

C. Moore
Interim President and CEO

North Bay, Ontario
July 27, 2015

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Northland Transportation Commission
and to the Minister of Northern Development and Mines

I have audited the accompanying consolidated financial statements of Ontario Northland Transportation Commission, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of changes in net assets, operations, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ontario Northland Transportation Commission as at March 31, 2015, and the results of its consolidated operations, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1 to the consolidated financial statements which indicates that the Province of Ontario announced its intention to transform the operations of the Ontario Northland Transportation Commission. The Ontario Northland Transportation Commission's ability to maintain operations is dependent on the continued financial support from the Government of Ontario while completing its transformation plans. This condition indicates the existence of a material uncertainty that may cast doubt about the Ontario Northland Transportation Commission's ability to continue as a going concern.

Toronto, Ontario
July 27, 2015

Bonnie Lysyk, MBA, CPA, CA, ECA

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Ontario Northland Transportation Commission

Consolidated Statement of Financial Position

(dollars in thousands)

March 31	2015	2014
Assets		
Current		
Cash and cash equivalents (Note 4)	**$ 7,668**	$ 2,650
Accounts receivable (Net of allowance - $ 86; 2014 - $1,392)	**45,224**	34,090
Inventory	**13,413**	14,223
Prepaid expenses	**391**	602
	66,696	51,565
Capital assets (Note 5)	**315,134**	331,740
Accrued pension benefit asset (Note 6a)	**35,072**	40,384
	$ 416,902	$ 423,689
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	**$ 39,701**	$ 19,454
Current portion of long-term debt (Note 8)	**366**	3,789
Current portion of deferred revenue	**511**	5,973
	40,578	29,216
Deferred revenue	**-**	552
Deferred capital contributions (Note 7)	**199,696**	179,038
Long-term debt (Note 8)	**2,951**	18,823
Accrued non-pension benefit obligation (Note 6b)	**82,959**	82,894
Liability for contaminated sites (Note 3)	**3,500**	-
	329,684	310,523
Net assets		
Unrestricted	**82,562**	108,042
Internally restricted	**4,656**	5,124
	87,218	113,166
	$ 416,902	$ 423,689

Nature of operations (Note 1)
Contingencies (Note 11) / **Commitments** (Note 12)

Approved on behalf of the Commission:

Chair

Interim President and CEO

The accompanying notes are an integral part of these consolidated financial statements.

Ontario Northland Transportation Commission

Consolidated Statement of Changes in Net Assets

(dollars in thousands)

For the year ended March 31	2015	2014
Unrestricted Net Assets		
Balance, beginning of year	$ 108,042	$ 136,745
Change in Accounting Policy (Note 3)	(3,500)	-
Deficiency of revenues over expenses	(22,448)	(28,532)
Transfer from (to) Reserve for Self Insurance	468	(171)
Balance, end of year	$ 82,562	$ 108,042
Internally Restricted - Reserve for Self Insurance (Note 10)		
Balance, beginning of year	$ 5,124	$ 4,953
Transfers (to) from Unrestricted Net Assets	(468)	171
Balance, end of year	$ 4,656	$ 5,124
Total Net Assets	$ 87,218	$ 113,166

The accompanying notes are an integral part of these consolidated financial statements

Ontario Northland Transportation Commission

Consolidated Statement of Operations

(dollars in thousands)

For the year ended March 31, 2015	2015	2014
Rail Services		
Sales revenue (Note 13)	$ 46,797	$ 44,518
Operating expense	64,521	65,682
Deficiency of revenues over expenses before the undernoted	(17,724)	(21,164)
Amortization of capital assets	11,322	11,531
Amortization of deferred capital contributions (Note 7)	(4,673)	(4,642)
Gain on sale of capital assets	(413)	(332)
Employee future benefit expense	11,524	11,198
Interest expense	29	187
Northlander Settlement expense (Note 14)	-	2,913
Deficiency of revenues over expenses	(35,513)	(42,019)
Motor Coach Services		
Sales revenue	10,310	10,731
Operating expense	11,688	11,611
Deficiency of revenues over expenses before the undernoted	(1,378)	(880)
Amortization of capital assets	638	300
Amortization of deferred capital contributions (Note 7)	(133)	(132)
Loss on sale of capital assets	183	22
Employee future benefit expense	1,349	1,222
Interest expense	81	91
Deficiency of revenues over expenses	(3,496)	(2,382)
Refurbishment		
Sales revenue	4,683	7,477
Operating expense	6,758	8,422
Deficiency of revenues over expenses before the undernoted	(2,075)	(945)
Amortization of capital assets	87	86
Amortization of deferred capital contributions (Note 7)	(13)	(13)
Employee future benefit expense	1,445	1,491
Interest expense	81	102
Deficiency of revenues over expenses	(3,675)	(2,611)
Marine Services (Moosonee)		
Sales revenue	-	-
Operating expense	-	45
Deficiency of revenues over expenses before the undernoted	-	(45)
Loss on transfer of capital assets	-	631
Deficiency of revenues over expenses	$ -	$ (676)

The accompanying notes are an integral part of these consolidated financial statements

Ontario Northland Transportation Commission

Consolidated Statement of Operations

(dollars in thousands)

For the year ended March 31	2015	2014
Development		
Sales revenue	$ 491	$ 542
Operating expense	507	296
(Deficiency) excess of revenues over expenses before the undernoted	(16)	246
Amortization of capital assets	37	37
(Deficiency) excess of revenues over expenses	(53)	209
Administration		
Operating expenses	7,194	7,836
Severances	1,823	-
Amortization of capital assets	111	111
Employee future benefit expense	1,879	1,663
Interest expense	19	11
Deficiency of revenues over expenses	(11,026)	(9,621)
Total operations:		
Sales revenue	62,281	63,268
Operating expense	92,491	93,892
Deficiency of revenues over expenses before other expenses	(30,210)	(30,624)
Amortization of capital assets	12,195	12,066
Amortization of deferred capital contributions (Note 7)	(4,819)	(4,787)
Loss (gain) on sale of capital assets	(230)	321
Employee future benefit expense (Note 6d)	16,197	15,574
Interest expense	210	391
Northlander Settlement expense (Note 14)	-	2,913
Deficiency of revenues over expenses before the following	(53,763)	(57,102)
Government Operating Contributions (Note 9)	38,459	29,900
Investment income	62	71
Deficiency of revenues over expenses before discontinued operations	(15,242)	(27,131)
Discontinued operations (Note 17)	(7,206)	(1,401)
Deficiency of revenues over expenses for the year	$ (22,448)	$ (28,532)

The accompanying notes are an integral part of these consolidated financial statements.

Ontario Northland Transportation Commission
Consolidated Statement of Cash Flows
(dollars in thousands)

Year ended March 31		2015		2014
Cash provided by (used in)				
Operating activities				
Deficiency of revenues over expenses for the year	$	(22,448)	$	(28,532)
Items not affecting cash				
Amortization of capital assets		12,196		12,066
Amortization of deferred capital contributions		(4,819)		(4,787)
Loss (gain) on disposal of capital assets		(230)		321
Loss on disposal of Ontera (Note 17)		60,937		-
Discontinued operations		(45,604)		6,860
Employee future benefit expense		16,197		15,574
		16,228		1,502
Changes in non-cash working capital balances				
Accounts receivable		(13,479)		(4,702)
Inventory		810		1,877
Prepaid expenses		21		28
Accounts payable and accrued liabilities		21,788		(5,561)
Deferred revenue		(5,416)		5,104
		19,952		(1,752)
Capital activities				
Purchase of capital assets		(33,879)		(34,038)
Proceeds from sale of capital assets		230		194
Proceeds on sale of Ontera (Note 17)		6,000		-
		(27,649)		(33,844)
Financing activities				
Principal repayment of long-term debt		(19,295)		(4,760)
Deferred capital contributions		38,306		40,436
Pension contributions		(2,956)		(2,898)
Non-pension benefits paid		(3,340)		(2,787)
		12,715		29,991
Increase (decrease) in cash and cash equivalents during the year		5,018		(5,605)
Cash and cash equivalents, beginning of year		2,650		8,255
Cash and cash equivalents, end of year	$	7,668	$	2,650

The accompanying notes are an integral part of these consolidated financial statements.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2015

1. Nature of Operations

The Ontario Northland Transportation Commission (the "Commission"), an Operational Enterprise of the Province of Ontario (the "Province"), delivers a variety of services, including rail freight, passenger rail and motor coach, primarily in the north-eastern portion of Northern Ontario.

In May 2013, the Province announced a new direction for transformation of the ONTC with a revised mandate stated in the Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines where the ONTC continues to operate as a going concern while efforts to transform the agency continue with the examination and implementation of options, including divestment, restructuring, alternative service delivery, and new partnerships. This involves:

(a) continuing to provide and ensuring efficient, safe and reliable services in Northern Ontario throughout the transformation process and as directed by the Province of Ontario through the Minister from time to time; and

(b) supporting transformation efforts and preparing assets and business lines for transformation activities subject to the approval of the Province of Ontario.

On April 4, 2014 the Province announced that it would transform the Ontario Northland Transportation Commission as a government-owned transportation company while continuing to provide motor coach, Polar Bear Express, rail freight and refurbishment services. At the same time it was announced that an offer to purchase O.N. Tel Inc. (Ontera) from Bell Aliant had been accepted (see Note 17 Discontinued Operations). The purchase transaction was finalized on October 1, 2014.

The Commission's ability to maintain operations is dependent on the continued financial support from the Province. Accordingly, these consolidated financial statements have been prepared on a going concern basis. This assumes that the Commission will be able to realize its assets and discharge its liabilities in the ordinary course of business.

These consolidated financial statements do not reflect any adjustments that would be necessary if the going concern assumption were not applicable. If the going concern assumption were not applicable for these financial statements, adjustments to the carrying value of assets would be necessary and reported revenues and expenses and statement of financial position classifications used to reflect these on a liquidation basis would differ from those applicable to a going concern.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

2. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with the standards applicable for government not-for-profit organizations found in the Public Sector Accounting Handbook. They include the accounts of the Commission and its wholly-owned subsidiaries, Ontario Northland International Consulting Services Inc., O.N. Tel Inc. (o/a Ontera) (up until the sale date of October 1, 2014) and Nipissing Central Railway Company.

Revenue Recognition

Revenue from all sources is recognized when all of the following conditions are met:

a) services are provided or products delivered to customers
b) there is clear evidence that an arrangement exists, and
c) collection is reasonably assured.

Rail services revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier.

Contract revenues are generally recorded on a percentage of completion basis as work reaches predetermined project milestones.

The Commission accounts for provincial contributions under the deferral method of accounting as follows:

- Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

- Externally restricted contributions related to operating expenditures are recognized as revenue when the related expenditures are incurred.

- The Province reimburses the Commission for the cost of certain capital assets purchased for use in operations. The Commission records the contributions as deferred capital contributions. Deferred capital contributions are amortized to revenue on a straight-line basis at rates corresponding to those of the related capital assets.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

2. Significant Accounting Policies (continued)

Capital Assets

Capital assets are stated at acquisition cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for principal categories of capital assets are as follows:

Land	No amortization
Roadway	20 to 50 years
Buildings	50 years
Telecommunications equipment	15 to 25 years
Equipment	3 to 33 years
Coaches	12 years

No amortization is provided on assets under construction until they are placed in use.

Employee Future Benefits

Pension Plans - The Commission maintains a contributory defined benefit pension plan for its employees. It provides for pensions based on years of service and average pensionable earnings and is generally applicable from the first day of the month following employment. A Supplementary Employee Retirement Plan (SERP) also exists for employees who earn a lifetime pension amount in excess of the Canadian Income Tax Act's maximum. The obligations under the plan are determined using the accrued benefit method reflecting projected benefits for services rendered to date. The plans are not indexed; however, there have been a variety of ad hoc increases made to pensioners.

Non-Pension Benefit Plans - The Commission offers non-pension post retirement benefits such as group life, health care and long-term disability to employees through defined benefit plans. The costs associated with these future benefits are actuarially determined using the projected benefits method prorated on service and best estimate assumptions. In addition, as a Schedule 2 employer under the Workplace Safety and Insurance Board (WSIB), the Commission recognizes workers compensation benefits on an accrual basis using actuarial calculations provided by the WSIB for benefits in force, benefits not yet awarded and administrative loading costs.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2015

2. **Significant Accounting Policies - *Employee Future Benefits*** (continued)

Both Pension and Non-Pension expenses consist of current service costs, interest and adjustments arising from plan amendments, changes in assumptions and net actuarial gains or losses. These expenses are recorded in the year in which employees render services to the Commission. Past services pension costs were charged to net assets on transition to PS-3250. Actuarial gains and losses are amortized on a straight-line basis over the EARSL of the employees covered by the plans (approximately 13 years). Past service costs are recognized in the period of plan amendment.

Pension fund assets are valued using current market values.

Inventory

Materials and supplies, with the exception of used rail and wheel-sets, are valued at the lower of cost and net realizable value by using the weighted-average costing methodology. Used rail is shown at unamortized book value determined at the time of retirement. Wheel-sets are valued at standard cost. The Commission uses the same cost formulas for all inventories having a similar nature and use to the Commission. When net realizable value is less than carrying cost, inventory is written down accordingly. When circumstances which previously caused inventories to be written down no longer exist, that previous impairment is reversed.

The cost of inventory expensed to operations and used in capital projects for 2015 was $17,084 (2014 - $15,191).

Impairment of Capital Assets

Capital assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the capital asset may not contribute to the Commission's ability to deliver services. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, both the asset and any related deferred capital contributions are written down by the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Commission uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the Consolidated Statement of Financial Position date. Revenues and expenses are translated at the rates of exchange in effect at the transaction date. Realized and unrealized gains and losses are included in the determination of excess of revenue over expenses. Included in Rail revenue is a foreign currency gain of $ 988 (2014 - gain of $218) arising mainly from rail traffic settlements between Canada and the U.S.A.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

2. **Significant Accounting Policies** (continued)

Income Taxes

As a not-for-profit operational enterprise of the Province, the Commission is exempt from income taxes. This exemption extends to its wholly-owned subsidiaries, and accordingly no tax provision is recorded in these financial statements.

Accounting Estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of capital assets, valuation allowances for accounts receivable and inventory, liability for contaminated sites, and obligations for pension and non-pension post employment benefits. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the consolidated financial statements in future periods could be significant. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the consolidated statement of operations in the year in which they become known.

Cash and Cash Equivalents

Cash includes cash on hand, balances with banks, and internally restricted cash.

Financial Instruments

The Commission classifies its financial instruments as either fair value or amortized cost. The accounting policy for each category is as follows:

Fair value

This category includes cash and cash equivalents which is initially recognized at cost and subsequently carried at fair value.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

2. Significant Accounting Policies (continued)

Amortized cost

This category includes accounts receivable, accounts payable and accrued liabilities and long-term debt. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets, except for contributions, which are initially recognized at fair value.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the statement of operations.

Liabilities for Contaminated Sites

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. Sites that are currently in productive use are only considered a contaminated site if an unexpected event results in contamination. A liability for remediation of contaminated sites is recognized when the Commission is directly responsible or accepts responsibility; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability includes all costs directly attributable to remediation activities including post remediation operations, maintenance and monitoring. The liability is recorded net of any expected recoveries.

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3. Change in Accounting Policies

Liability for contaminated sites

Effective April 1, 2014 the Commission adopted new Public Sector Accounting Handbook Standard PS 3260, *Liability for Contaminated Sites*. The standard requires the recognition of a liability for the remediation of contamination sites in the financial statements when the recognition criteria outlined in the standard is met. The impact on adoption of this standard was as follows:

2015
Increase in liability for contaminated site $3,500
Decrease in unrestricted net assets $3,500

The liability for remediation results from specific minerals contaminating soil in a former transloading operation. Based on engineering studies completed to date, the estimated liability is $3,500. This liability is subject to measurement uncertainty and the Commission will be conducting further studies in the future. Changes to this estimated liability will be recorded in the year they become known.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

4. Cash and Cash Equivalents

	2015	2014
Cash (bank overdraft)	$ 3,012	$ (2,474)
Cash related to Reserve for Self Insurance (Note 10)	4,656	5,124
Cash	$ 7,668	$ 2,650

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

5. Capital Assets

			2015	2014
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Rail Services				
Roadway	$ 395,779	$ 147,539	**$ 248,240**	$ 229,239
Buildings	45,102	22,434	**22,668**	23,147
Equipment	79,788	55,473	**24,315**	24,529
Under construction	7,127	-	**7,127**	3,163
Telecommunications (Ontera) (Note 17)				
Buildings	-	-	-	2,177
Equipment	-	-	-	39,133
Motor Coach Services				
Buildings	2,865	553	**2,312**	2,312
Coaches	10,175	4,352	**5,823**	3,418
Refurbishment				
Buildings	3,596	698	**2,898**	2,813
Equipment	585	190	**395**	417
Development				
Land and buildings	2,851	1,495	**1,356**	1,392
	$ 547,868	$ 232,734	**$ 315,134**	$ 331,740

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2015

6. Employee Future Benefits

The Commission is the administrator of its contributory pension plan which covers all permanent staff. The pension fund assets primarily include marketable securities, real estate and corporate and government bonds, which are invested by professional investment managers. The Commission's pension plans have an annual measurement date of December 31st.

The accrued pension benefit asset and non-pension benefit obligation and expenses are determined annually by independent actuaries in accordance with accepted actuarial practices and Canadian public sector accounting standards using management's best estimates. The date of the most recent actuarial valuation for the contributory pension plans for funding purposes was January 1, 2014. In accordance with existing pension regulations, annual valuations will be completed for the Commission's pension plans. The date of the most recent report for accounting purposes for the non-pension post employment benefit plan was December 31, 2014.

The pension plan's asset target percentage allocation and average asset allocation as at March 31, 2015, by category are as follows:

		Target	**2015**	2014
Equity securities	– Domestic	20% - 30%	**28.8%**	25.9%
	– Foreign	10% - 30%	**24.7%**	24.6%
Debt securities		35% - 55%	**43.9%**	46.2%
Real estate		0% - 15%	**2.0%**	2.0%
Short-term and other		0% - 15%	**0.6%**	1.3%
Total			**100%**	100%

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

6. **Employee Future Benefits** (continued):

a. **Reconciliation of accrued benefit obligation to accrued benefit asset (liability):**

Pension Plans:

	Pension	SERP	2015 Total	2014 Actual
Accrued benefit obligation	$ (522,887)	$ (3,534)	$ (526,421)	$ (491,145)
Plan assets at fair value	514,401	-	514,401	482,966
Funded status - plan (deficit) surplus	(8,486)	(3,534)	(12,020)	(8,179)
Unamortized net actuarial loss	45,651	1,441	47,092	48,563
Accrued benefit asset (liability) net of valuation allowance - end of year	$ 37,165	$ (2,093)	$ 35,072	$ 40,384

	Pension	SERP	2015 Total	2014 Actual
Accrued benefit asset - beginning of year	$ 42,453	$ (2,069)	$ 40,384	$ 47,881
Employee future benefit expense	(8,019)	(249)	(8,268)	(10,395)
Funding contributions	2,731	225	2,956	2,898
Accrued benefit asset - end of year	$ 37,165	$ (2,093)	$ 35,072	$ 40,384

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

6. **Employee Future Benefits** (continued):

   b. **Reconciliation of accrued benefit obligation to accrued benefit asset (liability)**

Non-Pension Benefit Plans:

	2015	2014
Accrued benefit obligation - beginning of year	$ **(86,100)**	$ (82,093)
Unamortized net actuarial (loss) gain	**3,141**	(801)
Accrued benefit liability - end of year	$ **(82,959)**	$ (82,894)
Accrued benefit liability - beginning of year	$ **(82,894)**	$ (77,621)
Benefit expense	**(3,405)**	(8,060)
Funding contributions	**3,388**	2,988
Other	**(48)**	(201)
Accrued benefit liability - end of year	$ **(82,959)**	$ (82,894)

Included in the accrued non-pension benefit liability are workers' compensation benefits in the amount of $ 14,662 (2014 - $16,502). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board as at December 31, 2014.

   c. **Components of Net Periodic Pension Benefit Expense**

	2015	2014
Current service cost less employee contributions	$ **7,447**	$ 6,552
Interest on accrued benefit obligation	**29,093**	27,423
Expected return on plan assets	**(28,162)**	(27,258)
Amortization of net actuarial loss	**4,047**	3,678
Curtailment gain (Note 17)	**(4,157)**	-
	$ **8,268**	$ 10,395

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

6. Employee Future Benefits (continued):

d. Components of Net Periodic Non-Pension Benefit Expense

	2015	2014
Current service cost	$ 1,085	$ 4,790
Interest on accrued benefit obligation	2,565	2,582
Amortization of net actuarial losses	1,922	688
Curtailment gain (Note 17)	(2,167)	-
	$ 3,405	$ 8,060

The total pension and non-pension benefit expense of $11,673 includes $16,197 relating to continuing operations and ($4,524) relating to discontinued operations.

e. Weighted Average Assumptions

	2015	2014
Discount rate - pension	5.75%	6.00%
Discount rate - non pension	3.94%	3.94%
Discount rate – long-term disability	3.94%	4.02%
Discount rate - WSIB	4.75%	5.00%
Expected long-term rate of return on plan assets	5.75%	6.00%
Rate of compensation increase	3.00%	3.00%
Average remaining service period (years)	12	12
Drug cost increases (grading down to 5% in 2020)	6.00%	8.50%
Medical and hospital cost increases	5.00%	5.00%
Dental cost increases	4.50%	4.50%
Vision care cost increases	0%	0%

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

7. Deferred Capital Contributions

Deferred capital contributions represent the unamortized capital contributions received from the Minister to fund the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the consolidated statement of operations at a rate equal to the amortization of the related assets.

The changes in the unamortized deferred capital contributions balance are as follows:

	2015	2014
Balance - beginning of year	$ 179,038	$ 148,093
Contributions from the Province	38,306	40,436
Amortization to revenue – Rail Services, Motor Coach Services, and Refurbishment	(4,819)	(4,787)
– Telecommunications (Ontera)	(678)	(1,001)
Retirements and transfers	(12,151)	(3,703)
Balance - end of year	$ 199,696	$ 179,038

8. Long-term Debt

	2015	2014
Loan from Ontario Financing Authority, bearing interest at 5.22% per annum, repayable in blended monthly payments of $30 for 15 years beginning February 1, 2006	$ 1,520	$ 1,836
Loan from Ontario Financing Authority, bearing interest at 4.90% per annum, repayable in blended monthly payments of $13 for 25 years beginning February 1, 2006	1,797	1,829
Loan from Ontario Financing Authority, bearing interest at 5.60% per annum, repayable in blended monthly payments of $156 for 15 years beginning January 1, 2000	-	1,370
Loan from Ontario Financing Authority, bearing interest at 6.37% per annum, repayable in blended monthly payments of $109 for 15 years beginning September 1, 1999	-	537
Loan from Bank of Montreal, bearing interest at 5.11% per annum, repayable in blended monthly payments of $64 for 10 years beginning April 30, 2008. Secured by a floating charge on all Ontera assets. (Note 17)	-	2,772
Loan from Bank of Montreal, bearing interest at 5.95% per annum, repayable in blended weekly payments of $32 for 15 years beginning October 7, 2010. Secured by a floating charge on all Ontera assets. (Note 17)	-	14,268
	3,317	22,612
Less current portion	366	3,789
Long-term debt	$ 2,951	$ 18,823

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

8. Long-Term Debt (continued):

Interest on long-term debt was $ 699 (2014 - $1,426).

Principal payments required in the next five years and thereafter are as follows:

2015-2016	$	368
2016-2017		386
2017-2018		406
2018-2019		426
2019-2020		390
Thereafter		1,341
	$	3,317

9. Government Contributions

A Memorandum of Understanding between the Commission and the Minister of Northern Development and Mines dated July 15, 2013, defines the amount of operating and capital contributions provided each fiscal year.

Details of Government contributions received during the year are as follows:

		2015		2014
Ministry of Northern Development and Mines:				
Rail - Passenger Service and Moosonee Branch	$	16,127	$	18,900
Cash deficiency and other		22,332		11,000
Operating activities	$	38,459	$	29,900
Telecommunications (Ontera) (Note 17) (i)		52,092		-
	$	90,551	$	29,900
Capital contributions		38,336		40,438
Total Government contributions	$	128,887	$	70,338

(i) The Government provided a one-time contribution of $52,092 to support the sale of Ontera.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

Year ended March 31, 2015

(dollars in thousands)

10. Internally Restricted Net Assets – Reserve for Self Insurance

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annually the Commission transfers $100 from unrestricted net assets to the Reserve for Self Insurance (the "Reserve") to finance such costs. Interest earned on the reserve balance and claims expensed in the reserve balance are recorded as revenue and expenses in the consolidated statement of operations then transferred to/from the Reserve.

Periodically, the Commission borrows cash from the Reserve for its temporary use. The Commission pays interest to the Reserve at the bank's prime rate less 1.75% on these temporary borrowings.

11. Contingencies

In the normal course of its operations, various statements of claim have been issued against the Commission claiming damages for personal injury, property damages, environmental actions and employment-related issues. Damages, if any, cannot be estimated at this time and in any event the Commission is of the opinion that these claims are unfounded or covered by insurance after application of a $2,000 deductible. Should any loss result, it would be charged to the consolidated statement of operations when the amount is ascertained.

12. Commitments

The Commission is also obligated to certain job guarantee agreements with a significant number of its unionized employees. To the extent of any actual claims under these agreements, the Commission would maintain provisions for such items. Due to the nature of these agreements, the exposure for future payments may be material. However, such exposure would be based on certain actions of the Commission that have not occurred and as such no provision has been made as at the year-end date.

13. Economic Dependence

The Rail Services Division derives substantially all of its revenue from four major customers.

14. Settlement Expenses

In connection with the cancellation of the Northlander passenger train operation in 2012, a wage settlement agreement was negotiated with the United Steelworkers, the bargaining agent for those employees. The agreement was signed in August 2013 and will result in wage continuation and maintenance of basic rates payments extending into August 2017 amounting to $2,913. In the current fiscal period $1,234 has been paid related to this agreement.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

16. Financial Instrument Classification

The following table provides cost and fair value information of financial instruments by category. The maximum exposure to credit risk would be the carrying value as shown below.

	2015		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 7,669	$	$ 7,669
Accounts receivable	-	46,229	46,229
Accounts payable and accrued liabilities	-	39,701	39,701
Long-term debt	-	5,317	5,317
	$ 7,669	$ 91,247	$ 98,916

	2014		
	Fair Value	Amortized Cost	Total
Cash and cash equivalents	$ 2,650	$	$ 2,650
Accounts receivable	-	36,090	36,090
Accounts payable and accrued liabilities	-	19,456	19,456
Long-term debt	-	20,612	20,612
	$ 2,650	$ 76,158	$ 78,808

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2015

16. Financial Instrument Classification (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7,668	$ -	$ -	$ 7,668

	2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,650	$ -	$ -	$ 2,650

There were no transfers between Level 1 and 2 for the years ended March 31, 2015 and 2014. There were no transfers in or out of Level 3.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

16. *Financial Instrument Risk Management*

Credit risk

Credit risk is the risk of financial loss to the Commission if a debtor fails to make payments of interest and principal when due. The Commission is exposed to this risk relating to its cash and accounts receivable. The Commission holds its cash accounts with federally regulated chartered banks who are insured by the Canadian Deposit Insurance Corporation. In the event of default, the Commission's cash accounts are insured up $400,000 (2014 - $400,000).

Accounts receivable are due from customers and the Province of Ontario. Credit risk is mitigated by financial approval processes before a customer is granted credit. The Commission measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Commission's historical experience regarding collections. The amounts outstanding at year end were as follows:

March 31, 2015					**Past Due**
	Total	**Current**	**1-30 days**	**31-60 days**	**over 61 days**
Government receivables	**$ 34,055**	**$ 34,055**	**$ -**	**$ -**	**$ -**
Customer receivables	**7,857**	**5,422**	**1,553**	**188**	**694**
Other receivables	**3,398**	**3,398**	**-**	**-**	**-**
Gross receivables	**45,310**	**42,875**	**1,553**	**188**	**694**
Less: impairment allowances	**(86)**	**-**	**-**	**-**	**(86)**
Net receivables	**$ 45,224**	**$ 42,875**	**$ 1,553**	**$ 188**	**$ 608**

March 31, 2014					Past Due
	Total	Current	1-30 days	31-60 days	over 61 days
Government receivables	$ 12,112	$ 12,112	$ -	$ -	$ -
Customer receivables	20,150	16,940	949	191	2,070
Other receivables	3,220	3,220	-	-	-
Gross receivables	35,482	32,272	949	191	2,070
Less: impairment allowances	(1,392)	-	-	-	(1,392)
Net receivables	$ 34,090	$ 32,272	$ 949	$ 191	$ 678

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

16. Financial Instrument Risk Management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Currency risk

Currency risk relates to the Commission operating in different currencies and converting non-Canadian earnings at different points in time when adverse changes in foreign currency rates occur. The Commission maintains a USD bank account to receive USD from customers and to pay USD to suppliers and other carriers. There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Commission is exposed to this risk through its interest bearing long-term debt.

The Commission's long-term debt as described in Note 8 would not be impacted as the inherent rate of the debt has been fixed.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Commission is not exposed to this risk.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet all cash outflow obligations as they come due. The Commission mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and regular reports to the Province of Ontario.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

Year ended March 31, 2015

16. **Financial Instrument Risk Management** (continued)

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows of financial liabilities):

2015	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	$ 29,513	$ 10,188	$ -	$ -
Long-term debt	183	183	1,701	1,250
Total	$ 29,696	$ 10,371	$ 1,701	$ 1,250

2014	Within 6 months	6 months to 1 year	1-5 years	> 5 years
Accounts payable	$ 19,454	$ -	$ -	$ -
Long-term debt	1,895	1,894	9,446	9,377
Total	$ 21,349	$ 1,894	$ 9,446	$ 9,377

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements

(dollars in thousands)

Year ended March 31, 2015

17. Discontinued Operations

As part of the Province's divestment plan announced in March 2012, the Commission accepted the terms of a Share Purchase Agreement (SPA) with Bell Aliant on March 29, 2014 to dispose of its 100% interest in Ontera. The purchase transaction was finalized on October 1, 2014. The SPA outlines the sale, and the costs to be incurred by ONTC, including severance, pension and early bank loan repayments. Any transaction costs associated with the sale of Ontera for which the Commission is directly responsible have been reflected in the current year's financial results, as separate line items.

Selected financial information of the Telecommunications Operations (Ontera) are as follows:

	6 month period ended September 30, 2014	year ended March 31, 2014
Sales revenue	$ 12,348	$ 26,761
Operating expense	10,668	20,249
Excess of revenue over expenses before the undernoted	1,680	6,512
Amortization of capital assets	2,512	4,980
Amortization of deferred capital contributions	(678)	(1,001)
Employee future benefit expense	1,800	2,881
Interest expense	154	1,053
Interest and penalties relating to early payment of long term debt	2,577	-
Deficiency of revenue over expenses before loss on disposal	(4,685)	(1,401)
Government contributions (Note 9)	52,092	-
Curtailment (Note 6)	6,324	
Loss on disposal of shares of Ontera (i)	(60,937)	-
Loss from discontinued operations	$ (7,206)	$ (1,401)

(i) Loss on disposal of shares of Ontera of $60,937 is represented by proceeds of $6,000 in cash less the carrying value of the investment of $26,436, and other purchase price adjustments and commitments by the Commission to support future severance and capital expenditures of $40,501. Certain costs associated with the operations of Ontera and its disposition, as well as technical and advisory costs supporting the updating of by-laws and policies, were incurred by Infrastructure Ontario and paid for by the Ministry of Northern Development and Mines. These costs total approximately $6,500 for the three years ended March 31, 2015 and are not included in these financial statements.

The Statement of Financial Position for the year ended March 31, 2014 includes balances related to Ontera as follows: cash and cash equivalents of ($1,270), accounts receivable of $2,345, prepaid expenses of $190, capital assets of $41,310, accounts payable and accrued liabilities of $1,542, current portion of deferred revenue of $45, deferred revenue of $552, long-term debt of $17,040, and deferred capital contributions of $12,827 related to discontinued operations.

ontario place

Management's Responsibility for Financial Reporting

The management of Ontario Place Corporation is responsible for the integrity and fair presentation of the financial statements accompanying this report. The financial statements have been prepared in accordance with Canadian public sector accounting standards and of necessity include some amounts that are based on estimates and judgements.

Ontario Place maintains systems of internal accounting controls designed to provide reasonable assurance that the financial information is accurate and reliable, the company assets and liabilities are adequately accounted for and assets are safeguarded. The systems include policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The financial statements have been reviewed by Ontario Place's Audit Committee and have been approved by its Board of Directors. In addition, the financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility it is to express an opinion on whether they have been prepared in accordance with Canadian public sector accounting standards. The Independent Auditor's Report that appears as part of the financial statements outlines the scope of the Auditors examination and opinion.

On behalf of management:

Eriks Eglite	Hunter Saggar	Tsong Liu, CPA, CGA, MBA
Transition General Manager	Senior Manager, Corporate Services	Financial Controller

Ontario Place Corporation 955 Lake Shore Blvd West Toronto, ON M6K 3B9
Société d'exploitation de la Place de l'Ontario 955, boulevard Lake Shore ouest Toronto, (Ontario) M6K 3B9
An Agency of the Government of Ontario/Un organisme du gouvernement de l'Ontario

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Ontario Place Corporation

I have audited the accompanying financial statements of the Ontario Place Corporation, which comprise the statement of financial position as at December 31, 2014, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Place Corporation as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Toronto, Ontario
June 4, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15^{e} étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Ontario Place Corporation

Statement of Financial Position
As at December 31, 2014

	2014 ($000)	2013 ($000)
ASSETS		
Current		
Cash – unrestricted	7,423	5,082
Cash – restricted [Note 3]	1,453	1,650
Accounts receivable [Note 4]	1,215	1,426
Inventory	13	27
Prepaid expenses and deferred charges	38	38
	10,142	8,223
Non-current Assets		
Capital assets [Note 5]	109,262	109,876
Capital assets under lease obligation [Note 6]	125	157
Remediation funding receivable [Note 9]	50,000	-
	159,387	110,033
	169,529	118,256
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities [Note 8]	1,834	460
Accrued employee termination benefits [Note 12(B)]	69	154
Current portion of obligations under capital lease [Note 7]	73	57
Due to the Province of Ontario	62	154
Deferred revenue	114	84
	2,152	909
Long Term Liabilities		
Accrued employee severance liability [Note 12(B)]	149	173
Obligations under capital lease [Note 7]	-	73
Liability for contaminated site [Note 9]	50,000	-
	50,149	246
Deferred remediation funding	50,000	-
Deferred capital contributions [Note 10]	7,584	8,198
Unspent deferred capital contributions [Notes 3 & 10]	1,453	1,650
	59,037	9,848
Net Assets		
Invested in capital assets [Note 11]	101,682	101,682
Unrestricted	(43,491)	5,571
	58,191	107,253
	169,529	118,256

Contingent liability [Note 16]

See accompanying schedules and notes to financial statements.

Approved on behalf of the Corporation:

Director

Director

Ontario Place Corporation

Statement of Operations
For the Year Ended December 31, 2014

	2014 ($ 000)	2013 ($ 000)
Operating revenue [Schedule 1]	5,795	5,128
Administrative and operating expenses [Schedule 2]	(6,323)	(5,941)
Operating deficit before the cost of partial closure	(528)	(813)
Recovery/(cost) of partial closure [Note 15]	(3)	217
Operating deficit before the following:	(531)	(596)
Province of Ontario operating grants	1,500	2,210
Amortization of deferred capital contributions	811	748
Amortization of capital assets	(811)	(748)
Amortization of capital assets under lease	(31)	(31)
	1,469	2,179
Excess of revenue over expenses for the year	938	1,583

See accompanying schedules and notes to financial statements.

Ontario Place Corporation

Statement of Changes in Net Assets
For the Year Ended December 31, 2014

	2014 ($ 000)			2013 ($ 000)
	Invested in Capital Assets	Unrestricted	Total	Total
Net assets, beginning of year	101,682	5,571	107,253	105,670
Liability for Contaminated Site [Note 9]	-	(50,000)	(50,000)	-
Net assets, beginning of year, adjusted	101,682	(44,429)	57,253	105,670
Excess of revenues over expenses	-	938	938	1,583
Net assets, end of year	101,682	(43,491)	58,191	107,253

See accompanying schedules and notes to financial statements.

Ontario Place Corporation

Statement of Cash Flows
For the Year Ended December 31, 2014

	2014 ($ 000)	2013 ($ 000)
Operating Activities		
Excess of revenues over expenses	938	1,583
Adjustments for items not requiring an outlay of cash		
Amortization of capital assets	811	748
Amortization of leased capital asset	31	31
Amortization of deferred capital contributions	(811)	(748)
Net change in non-cash working capital	1,453	325
Long-term portion of accrued employee severance liability	(24)	6
Cash used in operating activities	2,398	1,945
Capital Activities		
Capital asset acquisitions – net	(197)	(488)
Cash used in investing activities	(197)	(488)
Financing Activities		
Obligation under capital lease principal paid	(57)	(64)
Cash used in financing activities	(57)	(64)
Increase in cash during the year	2,144	1,393
Cash, beginning of year	6,732	5,339
Cash, end of year	8,876	6,732
Cash - unrestricted	7,423	5,082
Cash - restricted	1,453	1,650
	8,876	6,732

See accompanying schedules and notes to financial statements.

Ontario Place Corporation

Schedules of Operating Revenue and Administrative and Operating Expenses
For the Year Ended December 31, 2014

Schedule 1
Operating Revenue

	2014 ($ 000)	2013 ($ 000)
Amphitheatre	2,387	1,991
Parking	1,233	1,047
Concessions and facility rental	1,141	969
Marina	513	671
Other revenue	279	250
Retail sales	173	149
Interest income	69	51
	5,795	5,128

Schedule 2
Administrative and Operating Expenses

	2014 ($ 000)	2013 ($ 000)
Salaries and wages	1,976	2,102
Employee benefits [Note 12]	346	418
Administration and property tax	2,008	1,585
Utilities	980	921
Site maintenance	489	268
Cost of retail sales	168	155
Janitorial	122	151
Transportation and communications	84	119
Supplies	120	93
Other	30	129
	6,323	5,941

See accompanying notes to financial statements.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2014

1. Nature of Operations

The Ontario Place Corporation, (the "Corporation" or "Ontario Place") is a provincial Crown agency, incorporated under the *Ontario Place Corporation Act* R.S.O. 1990. The Corporation is exempted from federal and provincial income taxes.

Up until February 1, 2012, the Corporation operated a park built on a 155-acre site extending through three islands created using landfill along the Toronto waterfront. The site was intended to provide visitors with an appreciation of the Province's resources and accomplishments. The fees charged for the various services across the park were subject to approval by the Ministry of Tourism, Culture and Sport.

On February 1, 2012 the Minister of Tourism, Culture and Sport announced the partial closure and revitalization of Ontario Place. It was announced that the following operations would remain open while revitalization plans were developed: Ontario Place Marina, Molson Canadian Amphitheatre, Atlantis Pavillion, and the parking lots. All other operations, including the Cinesphere, Waterpark, amusement rides and games and concession stands were closed.

In addition to the various services operated by Ontario Place, the Corporation enters into a number of licence, ground lease and special event agreements with various private-sector companies.

The Corporation receives grants from the Province to partially cover the costs of ongoing operations.

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

The financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations.

(B) ADOPTION OF NEW PUBLIC SECTOR ACCOUNTING (PSA) STANDARD

In 2014, the Corporation early adopted the new PSA standard PS3260 Liability for Contaminated Sites. This section establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds the maximum acceptable concentrations under an environmental standard. In accordance with this standard, the Corporation recognizes a liability for remediation of contaminated sites when all of the following criteria are met:

- an environmental standard exists;
- contamination exceeds the environmental standard;
- the Corporation is:
  - directly responsible; or
  - accepts responsibility
- the Corporation expects that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

Detailed information on the impact of the adoption of this new PSA standard is provided in Note 9- Liability for Contaminated Site and Deferred Remediation Funding.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2014

2. Significant Accounting Policies (Continued)

(C) REVENUE RECOGNITION

Grants are recognized on an accrual basis.

Provincial grants restricted for the purchase of capital assets are deferred and amortized into revenue over the same period as the related capital asset.

Provincial grants received to remediate contamination on the site are deferred and recognized in revenue when the related remediation costs are incurred.

Revenue from parking, rentals, concessions and marina dockage are recognized when the goods or services are provided.

Revenue from amphitheatre represents rental revenue for the ground lease as determined by contractual agreement.

Revenue is calculated on an escalating scale based on the level of gross revenue achieved at the amphitheatre in excess of a base rent amount.

(D) INVENTORY

Supplies inventory is valued at cost.

(E) CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

Buildings	25 years
Attractions	10 years
Equipment, fixtures	10 years
Computer equipment	4 years
Equipment – capital lease	10 years

(F) MEASUREMENT UNCERTAINTY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Items requiring significant estimates include liabilities for contaminated site, and the related accounts receivable and deferred revenue to fund this liability. Actual amounts could differ from these estimates.

(G) FINANCIAL INSTRUMENTS

Ontario Place follows the Canadian public sector accounting standards pertaining to financial instruments. The Corporation's financial assets and liabilities are accounted for as follows:

- Cash and Restricted cash are subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of Operations.
- Accounts payable and accrued liabilities, Due to the Province and Deferred revenue are recorded at cost.

Ontario Place does not use derivative financial instruments.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2014

3. Cash - Restricted

The following grants from the Province of Ontario are held by Ontario Place as externally restricted cash:

	2014 ($000)	2013 ($000)
Unspent deferred capital grant	1,453	1,650
	1,453	1,650

Unspent deferred capital contributions are described in Note 10.

4. Accounts Receivable

	2014 ($000)	2013 ($000)
Province of Ontario	500	-
Trade	697	1,414
Other	31	25
	1,228	1,439
Less: allowance for doubtful accounts	(13)	(13)
	1,215	1,426

5. Capital Assets

	2014			2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	($ 000)	($ 000)	($ 000)	($ 000)
Land, waterlots	101,660	-	101,660	101,660
Buildings	7,246	2,124	5,122	5,313
Attractions	2,004	1,211	793	967
Equipment, fixtures	3,096	1,517	1,579	1,869
Computer equipment	169	61	108	67
	114,175	4,913	109,262	109,876

The amortization expense for 2014 is $811,000 ($748,000 for 2013).

Ontario Place Corporation

Notes to Financial Statements
December 31, 2014

6. Capital Assets Under Lease Obligation

	2014 ($000)	2013 ($000)
Equipment (cost)	314	314
Accumulated amortization	(189)	(157)
	125	157

The amount of amortization charged to expense in 2014 is $31,300 ($31,300 for 2013).

7. Capital Lease Obligation

The following is a schedule of future minimum lease payments which expire in 2015 together with the balance of the obligation.

	2014 ($ 000)	2013 ($ 000)
2014	—	57
2015	75	79
Total minimum lease payments	75	136
Interest	(2)	(6)
Balance of the obligation	73	130
Less: current portion	(73)	(57)
	—	73

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities relate largely to normal business transactions with third-party vendors and are subject to standard commercial terms.

9. Liability for Contaminated Site and Deferred Remediation Funding

Effective January 1, 2014 the Corporation early adopted the new PS3260 Liability for Contaminated Sites standard. The standard requires the recognition of a liability for the remediation of contaminated sites in the financial statements when the recognition criteria outlined in the standard are met. This change in accounting policy has been applied retroactively through Net Assets since the effect on specific prior periods is not reasonably determinable.

The Ontario Place site was constructed by lake filling in the 1970s, utilizing urban excess soil that was generated during other development projects in the City of Toronto at that time. At the time of the original park construction, environmental standards for soil and water had not been developed and therefore the use of urban fill material was an acceptable practice. While independent environmental investigations indicate contaminants are present at levels higher

Ontario Place Corporation

Notes to Financial Statements
December 31, 2014

9. Liability for Contaminated Site and Deferred Remediation Funding (continued)

than the current allowable standard, the report suggests that visitors at Ontario Place are unlikely to directly contact contaminated soil. The liability estimate is an accounting provision based on the planned redevelopment of Ontario Place for future uses. As a result, the impact on adoption of this accounting standard is as follows:

	2014 ($ 000)
Increase in Liability for contaminated site	50,000
Decrease in opening Net Assets – Unrestricted	(50,000)

The liability is management's best estimate based on environmental investigations performed by independent experts and reflects the costs required to remediate the site.

The Province has committed to provide the Corporation with grants to remediate the contamination.

10. Deferred Capital Contributions and Unspent Deferred Capital Contributions

Purchased assets have been capitalized and the corresponding capital grants have been deferred together with unspent capital grants. Spent capital grants are amortized into income on the same basis that the underlying assets are amortized. The changes in the total deferred capital contributions balance are as follows:

	2014 ($ 000)	2013 ($ 000)
Balance, beginning of year	9,848	10,596
Amount amortized to revenue	(811)	(748)
Balance, end of year	9,037	9,848

	2014 ($ 000)	2013 ($ 000)
Deferred Capital Contributions	7,584	8,198
Unspent Deferred Capital Contributions	1,453	1,650
Balance, end of year	9,037	9,848

Unspent deferred capital contributions are held as restricted cash as described in Note 3.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2014

11. Invested in Capital Assets

The invested in capital asset balance represents the net amount of the Corporation's investment in capital assets less the amounts financed by deferred capital contributions balance at year end.

12. Employee Benefits

(A) PENSION BENEFITS

The Corporation provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multiemployer plans established by the Province of Ontario. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Corporation's annual payments to the funds. Accordingly, the pension expense is the Corporation's share of the required contribution to the PSPF and OPSEU pension funds for the year, which was $98,450 (2013 – $137,770), and is included in employee benefits in the Schedule of Administrative and Operating Expenses.

(B) NON-PENSION BENEFITS

The cost of unused vacation and earned legislated severance entitlements for current employees are accrued for in the financial statements under the long-term accrued employee severance liability. Amounts due to current employees payable within one year are included in accounts payable and accrued liabilities.

Severance and other amounts due to terminated employees are included in accrued employee termination benefits.

The cost of other post-employment non-pension employee benefits are paid by the Ministry of Government Services and are not included in the statement of operations.

13. Property Tax Appeal

The Corporation filed an appeal with the City of Toronto for the tax years 2009-2013. If the appeal is successful, the Corporation would recover a portion of the taxes paid during that period. The amount, if any, cannot be determined at this time because the outcome of the appeal is uncertain.

14. Financial Instruments

(A) LIQUIDITY RISK:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(B) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation is exposed to credit risk arising from its trade accounts receivable. Due to the nature of these receivables, the Corporation recognizes its receivables net of an impairment based on historical trends.

Ontario Place Corporation

Notes to Financial Statements
December 31, 2014

14. Financial Instruments (continued)

It is management's opinion that the Corporation is not exposed to significant interest rate, currency, liquidity or credit risk arising from its other financial instruments due to their nature.

15. Park Revitalization

In July 2014, the Province announced its long-term vision to revitalize Ontario Place. The revitalization of Ontario Place will get underway with the construction of a new urban park and waterfront trail, expected to open in 2017. The next stage of work includes an environmental assessment and land-use planning process, further consultations with Ontarians and soil remediation.

As a result of the closure of most of the park's attractions and the upcoming revitalization, management has recognized the following costs/(recoveries):

	2014 ($ 000)	2013 ($ 000)
Gain on sale of assets	-	(257)
Severance	3	26
Other	-	14
	3	(217)

16. Contingent Liability

As a consequence of the Province's 2012 decision to partially close and revitalize Ontario Place, the Corporation is involved in a legal action relating to operations prior to the partial closure. The cost to the Corporation, if any, cannot be determined at this time because the outcome of this action is uncertain. Accordingly, no provision for this action is reflected in the financial statements. Ultimately, the Province would have to fund any settlement costs.

17. Comparative Figures

Prior year's figures have been reclassified to conform to the current year's presentation.

ONTARIO
POWER AUTHORITY

Management Report

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Power Authority are the responsibility of management and have been prepared in accordance with Canadian Public Sector Accounting Standards. The significant accounting policies followed by the Ontario Power Authority are described in Note 2 of the financial statements. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions believed to be reasonable.

Management is responsible for establishing and maintaining a system of internal controls over financial reporting. The system of internal controls we have established is designed to provide reasonable assurance over safeguarding of assets and the reliability of financial reporting and preparation of financial statements. The system includes formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with the accounting standards used by management. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

ONTARIO POWER AUTHORITY

On behalf of management,

K Marshall

Bruce Campbell
President, Chief Executive Officer
Toronto, Canada
February 18, 2015

Kimberly Marshall
Vice-President, Corporate Services and
Chief Financial Officer
Toronto, Canada
February 18, 2015

KPMG

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Ontario Power Authority

We have audited the accompanying financial statements of the Ontario Power Authority, which comprise the statement of financial position as at December 31, 2014, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Power Authority as at December 31, 2014, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

February 18, 2015
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

Statement of Financial Position

(In thousands of dollars)
As at December 31, 2014 with comparative figures for 2013

	2014	2013
	$	$
ASSETS		
Current Assets:	138,812	76,140
Cash and cash equivalents	539,485	438,183
Accounts receivable **(Notes 3 and 15)**	702	359
Prepaid expenses	**678,999**	**514,682**
Capital assets **(Note 4)**	4,498	4,463
TOTAL ASSETS	**683,497**	**519,145**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities **(Note 5)**	479,808	362,031
Contract deposits **(Note 6)**	16,978	23,239
Other current liabilities	81	593
	496,867	**385,863**
Deferred rent inducement, net **(Note 7)**	114	258
Other financial liabilities **(Note 8)**	181,927	99,237
Net assets:		
Internally restricted Conservation and Technology Funds **(Note 9)**	-	9,534
Invested in capital assets	4,498	4,463
Accumulated operating surplus **(Note 10)**	91	19,790
	4,589	**33,787**
Commitments **(Note 7)**		
Contingencies and guarantees **(Note 16)**		
TOTAL LIABILITIES AND NET ASSETS	**683,497**	**519,145**

See accompanying notes to financial statements

Statement of Operations

(In thousands of dollars)
Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
	$	$
REVENUE		
Fees **(Note 15)**	60,206	75,934
Registration fees	2,671	1,720
Other income	18	794
	62,895	**78,448**
EXPENSES		
Compensation and benefits **(Note 13)**	32,154	33,544
Professional fees	13,649	12,453
Conservation and Technology Funds expenses **(Note 9)**	350	405
General operating costs **(Note 12)**	9,966	10,943
Amortization of capital assets	1,610	2,841
	57,729	**60,186**
Excess of revenue over expenses before amalgamation expenses	5,166	18,262
IFSO OPA amalgamation expenses **(Note 11)**	5,578	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**(412)**	**18,262**

See accompanying notes to financial statements

Statement of Changes in Net Assets

(in thousands of dollars) Year ended December 31, 2014, with comparative figures for 2013	Invested in Capital Assets	Internally Restricted (see Note 9)	Accumulated Operating Surplus	2014 Total Net Assets	2013 Total Net Assets
	$	$	$	$	$
Balance, beginning of the year	**4,463**	**9,534**	**19,790**	**33,787**	**15,525**
Excess (deficiency) of revenue over expenses	(1,610)	–	1,198	(412)	18,262
Conservation and Technology Funds expenses **(Note 9)**	–	(350)	350	–	–
Transfer of Fund balance **(Note 9)**	–	(9,184)	9,184	–	–
Purchase of capital assets	1,645	–	(1,645)	–	–
Return of accumulated surplus **(Note 10)**	–	–	(28,786)	(28,786)	–
BALANCE, END OF THE YEAR	**4,498**	**–**	**91**	**4,589**	**33,787**

See accompanying notes to financial statements

Statement of Cash Flows

(in thousands of dollars)
Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	(41)	18,262
Items not involving cash:		
Amortization of capital assets	1,61	2,841
Amortization of deferred rent inducement	(14)	(145)
Change in non cash operating items (Note 14)	9,82	(9,580)
	10,92	**11,378**
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in other liabilities	(51)	488
Decrease in operating loan		(60,000)
Increase/(decrease) in other financial liabilities	82,6	(190,681)
	82,12	**(250,193)**
CASH FLOWS FROM CAPITAL ACTIVITIES		
Purchase of capital assets	(1,64)	(676)
Return of accumulated surplus (Note 10)	(28,78)	–
	(30,43)	**(676)**
Increase/(decrease) in cash and cash equivalents	**62,67**	**(239,491)**
Cash and cash equivalents, beginning of year	76,14	315,631
CASH AND CASH EQUIVALENTS, END OF YEAR	**138,81**	**76,140**

See accompanying notes to financial statements

Notes to Financial Statements

1. NATURE OF OPERATIONS

The *Electricity Restructuring Act, 2004*, established the Ontario Power Authority (OPA) as a non-share corporation on December 20, 2004. The OPA is an independent non-profit, non-taxable corporation. The OPA is not a Crown agent and recovers its costs through fees approved by the Ontario Energy Board (OEB) and through charges to the electricity market through the global adjustment mechanism. In accordance with this act, the OPA's main objectives are:

- to forecast electricity demand and the adequacy and reliability of electricity resources for Ontario for the medium and long term
- to conduct independent planning for electricity generation, demand management, conservation and transmission, and develop integrated power system plans for Ontario
- to engage in activities in support of the goal of ensuring adequate, reliable and secure electricity supply and resources in Ontario
- to engage in activities to facilitate the diversification of sources of electricity supply by promoting the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources
- to establish system-wide goals for electricity to be produced from alternative energy sources and renewable energy sources
- to engage in activities that promote electricity conservation and the efficient use of electricity
- to assist the OEB by facilitating stability in rates for certain types of consumers
- to collect and provide to the public and the OEB information relating to medium and long term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs.

Bill 14, *Building Opportunity and Securing Our Future Act (Budget Measures), 2014* received Royal Assent on July 24, 2014. Schedule 7 of the Bill amends the *Electricity Act, 1998* by amalgamating the Independent Electricity System Operator (IESO) and the OPA and by continuing them as the IESO. The transitional provision, dealing with corporate matters, provides, among other things, that the predecessor IESO and OPA cease to exist as entities separate from the IESO and all their rights, properties and assets become the rights, properties and assets of the IESO, as do all outstanding debts, liabilities and obligations of the predecessor IESO and OPA. Schedule 7 of Bill 14 came into force on January 1, 2015.

The OPA's ability, through its successor, to continue as a going concern is dependent upon its ability to obtain financing to support operations and other factors as stated above.

The OPA and its successor's creditworthiness is attested to by the following:
- the ability of the OPA to meet its obligations is provided for in legislation
- the OPA's minimal counterparty risk, given that its principal counterparty is the IESO, a creation of the province and a strong counterparty.

Due to the OPA's primary objectives, the OPA plans for revenues to fund expenses. Any variances that occur are addressed in the following year's Revenue Requirement Submission. As at November 6, 2014, the Ontario Energy Board formally approved the OPA's Revenue Requirement Submission.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including Section PS 4200, *Government Not-for-Profit Organizations (Standards).*

b) Revenue recognition

Fees earned by the OPA are based on OEB-approved rates for electricity withdrawn from the IESO-controlled grid by electricity consumers of Ontario. Such revenue is recognized in the year in which it is earned.

Amounts received in the current year that relate to services and programs to be approved and/or provided in future periods are deferred until they are approved and/or provided.

c) Cash and cash equivalents

Cash and cash equivalents are comprised of bank deposit balances, term deposits and other short-term investments with original maturity dates of up to 90 days.

d) Capital assets

Capital assets are recorded at cost and are amortized on a straight-line basis over their estimated service lives, as follows:

Assets	Estimated Average Service Life
Furniture and equipment	10 years
Computer hardware	4 years
Computer software	3 to 5 years
Audio visual equipment	10 years
Telephone system	5 years
Leasehold improvements	Term of lease

e) Employee pension benefits

The OPA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the OPA did not have sufficient information to apply defined benefit plan accounting to this pension plan.

The OPA is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Ontario Pension Board.

f) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

Long-term debt is recorded at cost.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:
- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

g) Measurement uncertainty

Uncertainty in determining the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurements of uncertainty in these financial statements exist in the valuation of the power purchase contracts and the estimated defeasance date for the OPG obligations. Estimates are based on the best information available at the time of preparation of the financial statements and are updated annually to reflect new information as it becomes available.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

(in thousands of dollars)
As at December 31, 2014, with comparative figures for 2013

	2014	2013
	$	$
Market contracts:		
Generation contracts	457,741	393,848
Conservation contracts	80,582	43,947
Renewable energy contracts	377	179
	538,700	437,974
Other	–	209
HST receivable	785	–
	539,485	438,183

4. CAPITAL ASSETS

(in thousands of dollars)
As at December 31, 2014,
with comparative figures for 2013

	Cost	Accumulated Amortization	2014 Net Book Value	2013 Net Book Value
	$		$	$
Furniture and equipment	3,384	2,506	878	1,193
Computer hardware	4,873	4,663	210	327
Computer software	9,442	7,179	2,263	1,325
Audio-visual equipment	237	197	40	64
Telephone system	382	369	13	44
Leasehold improvements	5,219	4,125	1,094	1,510
	23,537	19,039	4,498	4,463

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)
As at December 31, 2014, with comparative figures for 2013

	2014	2013
	$	$
Accrued contract settlements	398,809	310,590
Other accrued liabilities	80,999	49,774
HST payable	–	1,667
	479,808	362,031

6. CONTRACT DEPOSITS

Program deposits:

The OPA receives performance security in the form of deposit amounts received from suppliers of renewable energy under the Feed-In Tariff (FIT) Program and demand response. For suppliers engaged in a contract that involves the construction of a new supply facility, the deposits are larger during the construction phase and are reduced once a project commences commercial operations. Deposits related to the FIT Program are submitted to the OPA with the supplier application and can be returned if one of the following occurs: (a) the supplier withdraws its application from the program; (b) the supplier obtains a contract with the OPA; or (c) the supplier's application is rejected by the OPA.

The deposits are classified as current liabilities as they can be replaced by a letter of credit by the supplier on request.

7. DEFERRED RENT INDUCEMENT AND OPERATING LEASE COMMITMENTS

The OPA has entered into various long-term lease commitments for office space, which include lease inducements. Deferred rent inducement represents the benefit of operating lease inducements amortized on a straight-line basis over the term of the lease. The OPA obtained an allowance for leasehold improvements of $1,430. As at December 31, 2014, the deferred rent inducement, net of amortization, was $114 (December 31, 2013 – $258).

The OPA reports an average rental cost for premises over the term of the lease agreement and amortizes the benefit of the lease inducements over the same period. As at December 31, 2014, the accrued liability was $55 (December 31, 2013 – $125).

Lease commitments including the deferred rent inducement and lease inducement are set to terminate by October 2015. The minimum annual payments remaining under the operating lease are as follows:

(in thousands of dollars)
As at December 31, 2014

	$
LEASE COMMITMENTS	
2015	1,294
	1,294

The OPA's successor is currently negotiating a new lease agreement to extend the current lease. This will adjust the commitment in the following years to an amount that is yet to be determined.

8 OTHER FINANCIAL LIABILITIES

Other financial liabilities and deferrals arise as a result of the *Electricity Act, 1998* and the regulations under the act and are reflected by the balances in the Regulated Price Plan (RPP), retailer contract settlement deferral accounts, government procurement deferral account and the global adjustment account. In the absence of rate-regulated accounting, these amounts would have flowed through the statement of operations when incurred.

While prices for RPP consumers are set every six months by the OEB based on a forecast of the cost of power over the next year, it is likely that there will be a difference between the actual and forecasted cost of supplying electricity to all RPP consumers. When the hourly Ontario energy price (HOEP) is greater than the RPP, the OPA pays the excess amount and records a financial asset as the electricity market funds paid are receivable from the market. When the HOEP is less than the RPP, the OPA receives the difference and records a financial liability as the funds received will be returned to the market. The OPA tracks this variance in the RPP variance account.

(in thousands of dollars)
Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
	$	$
Total RPP variance before interest	190,624	109,770
Interest earned	(8,697)	(10,533)
	181,927	**99,237**

Global adjustment account:

The OPA has a legislated responsibility to record the transactions flowing through the global adjustment mechanism. The global adjustment and settlement accounts have been created for this purpose. The nature of the global adjustment transactions results in a zero balance in the account on a monthly basis. The information and explanation below provide transparency for the transactions flowing through the global adjustment mechanism.

The global adjustment and settlement accounts record charges that flow between the OPA and the IESO-administered market. The account flows include the amounts paid and received for: the Demand Response 2 and Demand Response 3 programs, non-utility generation, the regulated nuclear generation balancing amount and the regulated hydro electric generation balancing amount. These accounts are settled simultaneously by the IESO. The account also records the amounts paid and received for OPA contracts (standard offer, generation and conservation/demand management, FIT Program and hydroelectric contract initiatives) that the OPA settles on a monthly basis with the IESO.

This account also includes charges related to OEB-approved non-OPA conservation programs. These programs are administered by local energy distribution companies and charges related to them flow directly between the IESO and these companies.

(in thousands of dollars) Year ended December 31, 2014, with comparative figures for 2013	2014	2013
	$	$
Demand Response 2	14,290	14,928
Demand Response 3	44,279	42,806
Non-utility generation	763,787	1,132,615
Nuclear	1,236,313	1,492,901
Hydro	156,043	260,051
OPA contracts	4,818,454	4,784,048
Global adjustment balancing amount	(7,033,166)	(7,727,349)
	–	–

9. INTERNALLY RESTRICTED CONSERVATION AND TECHNOLOGY FUNDS

The OPA established the Conservation Fund to support electricity conservation projects. The Technology Development Fund was established to aid the development of promising new technologies to improve electricity supply or conservation. The projects are tracked based on the year of the award and expensed in the year the liability is incurred. The expenditures for projects awarded after January 2011 are recovered through the Global Adjustment Mechanism. All projects awarded funds pre-January 2011 are complete as of December 31, 2014, and any excess funds have been released from internally restricted funds to accumulated operating surplus.

(in thousands of dollars) Year ended December 31, 2014, with comparative figures for 2013	Restricted Fund	Total Expensed	Transferred to Accumulated Operating Surplus	Balance 2014	Balance 2013
	$	$	$	$	$
2005 – 2008 Conservation Fund	8,600	8,009	(591)	–	591
2009 Conservation Fund	3,000	2,546	(454)	–	454
2010 Conservation Fund	5,000	190	(4,810)	–	4,814
2005 – 2008 Technology Development Fund	3,500	2,916	(584)	–	584
2009 Technology Development Fund	1,500	1,500	–	–	85
2010 Technology Development Fund	4,500	1,755	(2,745)	–	3,006
	26,100	16,916	(9,184)	–	9,534

10. ACCUMULATED OPERATING SURPLUS

As per OPA's 2014 Revenue Requirement Submission approved by the OEB, it was determined that a balance in the Regulatory Forecast Variance Deferral account will be maintained at a maximum of $5 million. To maintain this balance, $28,786 was returned to the market in 2014.

11. IESO-OPA AMALGAMATION EXPENSES

As described in note 1, Bill 14 was amended to amalgamate the OPA and the IESO and came into force January 1st, 2015. The 2014 expenses related to this amalgamation were of a non-recurring and non-operating nature and were as follows:

(in thousands of dollars) Year ended December 31, 2014, with comparative figures for 2013	2014	2013
	$	$
Compensation and benefits	4,989	–
Professional fees	589	–
	5,578	–

12. GENERAL OPERATING COSTS

(in thousands of dollars) Year ended December 31, 2014, with comparative figures for 2013	2014	2013
	$	$
General program costs	3,238	4,956
Premises	3,352	3,742
Information technology	2,722	1,537
Office and administration	654	686
Interest expense		22
	9,966	10,943

13. PENSION PLAN

The OPA makes contributions to the Public Service Pension Plan, a multi-employer plan, on behalf of staff. The plan is a contributory defined pension plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contribution rates by employers are made at a rate of approximately eight percent of earnings. As at December 31, 2014, the OPA paid or accrued contributions totaling $1,996 (December 31, 2013 – $2,001) during the year.

14. CHANGE IN NON-CASH OPERATING ITEMS

(in thousands of dollars)
Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
	$	$
Decrease/(increase) in accounts receivable	(101,302)	108,780
Decrease/(increase) in prepaid expenses	(343)	205
Increase/(decrease) in accounts payable and accrued liabilities	117,777	(112,808)
Decrease in contract deposits	(6,261)	(5,757)
	9,871	**(9,580)**

15. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the OPA. The OEB, Hydro One, the IESO, OPG, the Ontario Financing Authority (OFA) and the Ministry of Energy are related parties of the OPA, through the common control of the Province of Ontario. Transactions between these parties and the OPA were as follows:

Under the *Ontario Energy Board Act, 1998*, the OPA incurs registration and license fees. Consistent with other registrants, in 2014 the OPA was allocated a portion of the operating costs of the OEB. The total of the OPA's transactions with the OEB were $1,038 in 2014 (2013 – $1,025).

The OPA procures conservation and demand management from Hydro One. The procurement costs include payments for electricity conservation, program operating costs and management fees. In 2014, the OPA procured $29,935 in conservation demand management (2013 – $30,214) from Hydro One and its wholly owned subsidiaries. At December 31, 2014, the OPA had a net payable to Hydro One of $8,167 (December 31, 2013 – $2,198).

The OPA receives its fee revenue from the IESO. The fee revenue is approved by the OEB and is collected each month by the IESO from ratepayers through a usage rate applied to Ontario domestic electricity consumption. Fee revenue for 2014 was $60,206 (2013 - $75,934). In addition, the OPA and the IESO have agreements set up for the settlement of amounts paid and received for the global adjustment account, RPP on behalf of various market participants (see Note 8). At December 31, 2014, the OPA had a net receivable of $457,741 (December 31, 2013 – $393,848). The OPA also incurred $98 in 2014 (2013 – $123) for professional services.

The OPA has available a revolving operating facility in the amount of $975,000, provided by the OFA to fund its general operating expenses and to support the RPP variance account. The line of credit was renewed in 2013 for a three-year term from January 1, 2014, to December 31, 2016, with an interest rate of 1.17 percent. On December 31, 2014, the OPA has a $0 (December 31, 2013 – $0) outstanding balance to the OFA. In 2014, the OPA incurred $0 (2013 – $0) in interest expenses for the loan.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

16. CONTINGENCIES AND GUARANTEES

Contingencies:

In the normal course of its operations, the OPA becomes involved in various legally binding agreements. Some of these agreements contain potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that a future event becomes likely to occur or fails to occur, and a reasonable estimate of the loss can be made, an estimated liability will be accrued and the expense recorded on the OPA's financial statements. As at December 31, 2014, in the opinion of management, no such liabilities exist.

Contract conditions related to the construction of a new clean energy facility stipulate that the OPA is contingently liable to repay upgrade costs, up to a maximum of $1,000, as incurred by the energy supplier. While none of these costs have been incurred to date, the OPA is liable to cover such costs over a 20-year period ending in 2025. As at December 31, 2014, management is not aware of any information to suggest that these upgrade costs will be incurred by the supplier.

Guarantees:

The OPA enters into contracts with suppliers of electricity as part of its normal business operations. In some cases, these contracts require the OPA to support obligations with these entities. In 2012, the OPA entered into a letter of credit amounting to $1,349 in support of a contracted obligation. As at December 31, 2014, no amounts have been drawn on the balance.

17. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

The fair values of other financial assets and other financial liabilities are not provided because this would not give additional useful information, as they would be offset and/or would not be practical to determine.

18. FINANCIAL RISK MANAGEMENT

The OPA is exposed to financial risks in the normal course of its business operations, including market risks resulting from credit risk, liquidity risk and interest rate risk. The nature of the financial risks and the OPA's strategy for managing these risks has not changed significantly from the prior year.

a) Credit risk:

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The OPA is exposed directly to credit risk related to accounts receivable and bank deposits held at the chartered bank. Direct exposure to credit risk is limited to the carrying amount presented for these assets on the statement of financial position. Accounts receivable as of December 31, 2014, included no material items past due.

b) Liquidity risk:

Liquidity risk refers to the risk that the OPA will encounter financial difficulty in meeting obligations associated with its financial liabilities. The OPA manages liquidity risk by forecasting cash flows to identify financing requirements. Cash flows from operations and maintaining appropriate credit facilities reduce liquidity risk.

c) Interest rate risk:

The OPA's operating loan has a variable interest rate based on the Province of Ontario's cost of funds for borrowing, with a similar term as determined by the OFA plus a margin. As a result, the OPA would be exposed to interest rate risk due to fluctuations in the Province of Ontario's cost of funds for borrowing with a similar term rate.

Ontario
Racing
Commission

Suite 400
10 Carlson Court
Toronto, Ontario
M9W 6L2
Tel 416 213-0520
Fax 416 213-7827

Commission
des courses
de l'Ontario

Bureau 400
10 Carlson Court
Toronto (Ontario)
M9W 6L2
Tél 416 213-0520
Téléc 416 213-7827

Ontario

Ontario Racing Commission

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Racing Commission have been prepared in accordance with Canadian public sector accounting standards and are the responsibility of management. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 25, 2015.

Management is responsible for the integrity of the financial statements and maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The appointed Commission is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management and the Office of the Auditor General of Ontario to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of management:

	LCampbell
Steve Lehman Executive Director and CEO	Leslie Campbell Manager, Finance and Administration

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Racing Commission
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of the Ontario Racing Commission, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Racing Commission as at March 31, 2015 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Future of the Commission

While not affecting my opinion, I draw attention to note 19 to the financial statements, which indicates that legislative changes are proposed that would integrate the Ontario Racing Commission's existing mandate within that of both the Ontario Lottery and Gaming Corporation and the Alcohol and Gaming Commission of Ontario.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Toronto, Ontario
June 25, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Ontario Racing Commission

Statement of Financial Position
For the year ended March 31, 2015

	March 31, 2015 ($ 000)	March 31, 2014 ($ 000)
Financial Assets		
Cash (Note 4(A))	7,192	2,439
Accounts receivable (Note 6)	1,153	1,617
Due from the Province (Note 3)		284
	8,345	4,340
Liabilities		
Accounts payable and accrued liabilities (Note 7)	3,876	1,741
Deferred Revenue (Note 3)	1,327	
Accrued benefit obligation (Note 8(B))	640	702
Deferred lease inducement (Note 17)	82	135
	5,925	2,578
Net Financial Assets	2,420	1,762
Non-Financial Assets		
Tangible capital assets (Note 9)	128	136
Prepaid expenses	33	33
	161	169
Accumulated Surplus (Note 4(B))	2,581	1,931

Commitments and Contingencies (Note 16)

Amounts Held in Trust (Note 5)

See accompanying notes to financial statements.

Approved on behalf of the Commission:

Elmer Buchanan, Chair

John Macdonald, Member

Ontario Racing Commission

Statement of Operations
For the year ended March 31, 2015

	Budget 2015 ($'000) (Note 18)	2015 ($'000)	2014 ($'000)
Revenue			
Horse Racing Partnership Funding Program	100,000		
(Schedule 4)		98,398	-
Regulatory Funding (Note 10)	6,199	6,351	4,605
Licence and registration fees	2,083	2,626	3,113
Cost recovery (Note 11)	322	605	2,316
Fines and penalties	250	108	225
Interest income	20	31	25
Miscellaneous	8	28	3
Total revenue	108,882	108,151	10,287
Expenses (Note 15)			
Horse Racing Partnership Funding Program	99,759		
(Schedule 4)		98,319	-
Race Officiating	2,924	2,976	2,929
Compliance Investigation	1,394	1,210	1,092
Medication Control	1,081	1,284	1,216
Administration	834	768	1,029
Hearings & Adjudication	580	477	552
Governance	538	544	622
Licensing & Due Diligence	607	578	575
Ontario Horse Racing (Note 3)	—	-	563
HIP and OHRIDP Administration (Note 3)	381	459	482
Veterinary Services	331	467	292
Government Services	172	92	111
Industry Support	50	10	66
Total expenses	108,882	107,321	9,916
Annual Surplus	-	830	371
Accumulated Surplus, beginning of year	1,551	1,551	1,180
Accumulated Surplus, end of year	1,551	2,381	1,551

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2015

	2015 ($'000)	2014 ($'000)
Annual Surplus	630	371
(Acquisition) of tangible capital assets	(67)	(50)
Amortization of tangible capital assets	76	36
(Acquisition) of prepaid expenses	(75)	(55)
Use of prepaid expenses	76	51
	28	(16)
Increase in net financial assets	658	355
Net financial assets, beginning of year	1,782	1,427
Net financial assets, end of year	2,440	1,782

See accompanying notes to financial statements.

Ontario Racing Commission

Statement of Cash Flows
For the Year Ended March 31, 2015

	2015 ($ 000)	2014 ($ 000)
Operating transactions		
Annual Surplus	630	371
Amortization of tangible capital assets	75	64
	705	435
Changes in non-cash operating balances		
Non-cash operating working capital	4,310	(12)
Accrued benefit obligation	(102)	(272)
Deferred lease inducement	(113)	(81)
	4,095	(365)
Capital transactions		
Purchase of tangible capital assets	(47)	(56)
Net change in cash	4,753	14
Cash, beginning of year	2,439	2,425
Cash, end of year	7,192	2,439

See accompanying notes to financial statements.

Ontario Racing Commission

Horse Racing Partnership Funding Program
For the Year Ended March 31, 2015

Schedule A

	Budget 2015 ($ 000)	(Note 3) 2015 ($ 000)
Revenue		
HRPFP Transfer Payment Agreement	100,000	99,800
Interest and Miscellaneous Income	-	113
	100,000	99,913
Less: Deferred Revenue	-	(1,327)
Total Revenue	100,000	98,586
Expenses (Note 15)		
Purses		
Centralized Tracks	68,900	70,919
Regional Tracks	5,000	1,532
FAR Tracks	6,373	8,100
Operational Support		
Regional Tracks	3,250	1,492
FAR Tracks	8,377	7,929
Industry Development	8,100	
Breeder Support		7,000
HRPFP Administration		916
Marketing, Branding and Communication		356
Other		75
Total HRPFP Expense net of HIP and QHRIDP Administration	100,000	98,319
HIP and QHRIDP Administration (Note 3)		267
Total HRPFP Expenses		98,586
Annual Surplus		-

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

1. Objective of the Commission

Effective December 15, 2000, the *Racing Commission Act, 2000* continued the Ontario Racing Commission (the "Commission") as an independent self-financing regulatory agency of the Crown. The Commission is responsible to govern, direct, control and regulate horse racing in the Province.

As an Ontario Crown agency, the Commission is exempted from federal and provincial income taxes under the *Income Tax Act* (Canada).

2. Significant Accounting Policies

(A) BASIS OF ACCOUNTING

These financial statements have been prepared by management in accordance with public sector accounting standards established by the Canadian Public Sector Accounting Board.

(B) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and software	3 years
Custom developed software	7 years
Leasehold improvements	remaining term of lease

(C) REVENUE RECOGNITION

The regulatory funding is recognized as income in the year it is due.
Licence and registration fees are recognized as income when issued.
Revenue from fines and penalties, less a provision for uncollectible amounts, is recorded when such fines and penalties are imposed.

Deferred revenue is recognized as amounts received during the year, under the HRPFP, which is committed to be paid out to transfer payment agreement recipients after the year-end.

(D) EXPENSE RECOGNITION

Expenses are recognized on an accrual basis as incurred, in the year to which they relate.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

(E) EMPLOYEE BENEFITS

(I) PENSION BENEFITS

The Commission's employees participate in the Public Service Pension Fund (PSPF), which is a defined benefit pension plan for employees of the Province and many provincial agencies. While participation in the fund is mandatory for full-time employees, part-time employees have the ability to opt out of the Fund. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Commission's annual payments to the fund. As the sponsors are responsible for ensuring that the pension fund is financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission.

(II) NON-PENSION BENEFITS

The cost of post-retirement non-pension employee benefits is paid by the Province and is not included in the Statement of Operations.

(III) ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation records earned employee severance payments due upon termination or retirement.

(F) FINANCIAL INSTRUMENTS

The Commission's financial assets and financial liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value.
- Accounts receivable are recorded at amortized cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowances are recognized in the Statement of operations.
- Accounts payable and accrued liabilities are recorded at cost.

The Commission does not use derivative financial instruments.

(G) MEASUREMENT UNCERTAINITY

The preparation of financial statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Items requiring the use of significant estimates include: useful life of capital assets, accrued benefit obligations, and valuation allowances.
Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

3. Horse Racing Partnership Funding Program (Ontario Horse Racing)

On March 12, 2012 the Ontario Lottery and Gaming Corporation ("OLG") and the Ministry of Finance made an announcement that the Slots-At-Racetrack Program in Ontario would end on March 31, 2013. In response to the cancellation of the slots program, in October 2013 the then Ontario Ministry of Agriculture and Food ("OMAF") announced a five year Horse Racing Partnership Funding Program ("HRPFP" or "Program") to take effect April 1, 2014. The Program was established by Order in Councils 251/2014 and 528/2014 in early 2014.

To aid the Commission in its preparation for the launch of the HRPFP, in February, 2014 OMAF agreed to provide transitional funding to the Commission under the Horse Racing Industry Transition Assistance Program. In 2014, transitional funding of $484,000 was included in Cost recovery (Note 11) in the Statement of Operations of which $284,000 was included in Due from the Province in the Statement of Financial Position.

One of the components of the HRPFP is the establishment of a new Division at the Commission, Ontario Horse Racing (OHR). This new division is the industry development arm of the Commission, and is responsible for ensuring the effective implementation of the Program and the distribution of the HRPFP funding. The province's five-year Plan will provide up to $500 million (at $100 million per year) to support the horse racing industry. The Plan includes enhancing support for purses, race dates, and the racehorse breeders, integrating horse racing into the province's gaming strategy and encouraging a new model of governance for the industry.

In fiscal 2015 the Commission received $99.8 million in funds from the HRPFP (2014 – $0).
The ORC has entered into an Accountability Agreement with the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA), which further defines funded activities, establishes a reporting framework, and sets accountability indicators and performance targets.

For purposes of the HRPFP, Ontario racetracks have been segmented into three categories:

1. Centralized funds support Clinton Raceway, Flamboro Downs, Georgian Downs, Grand River Raceway, Hanover Raceway, Western Fair, Mohawk Racetrack and Woodbine Racetrack.
2. Regional funds support Dresden Raceway, Hiawatha Horse Park, Kawartha Downs, and Lakeshore Raceway.
3. FAR funds support Fort Erie, Ajax Downs, and Rideau Carleton.

Total costs of administering the Horse Improvement Program (HIP) and Quarter Horse Racing Industry Development Program (QHRIDP) in 2014-2015 were $469,000 (2014 - $482,000) of which $267,000 (2014 – $0) has been funded by the HRPFP.

At March 31, 2015, deferred revenue of $ 1,327,000 represents amounts received during the year under the HRPFP, which is committed to be paid out to transfer payment agreement recipients after the year-end.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

4. Cash and Cash Reserve

(A) CASH

The cash balance on the Statement of financial position is made up of the following:

	March 31, 2015 ($ 000)	March 31, 2014 ($ 000)
General	2,944	1,439
Ontario Horse Racing	3,248	-
Reserve	1,000	1,000
	7,192	2,439

(B) RESERVE

Subsection 13(l) of the *Racing Commission Act, 2000* allows the Commission to retain its surplus funds unless, under subsection 13(2), it is ordered by the Minister responsible for the Commission to pay into the Consolidated Revenue Fund of the Province of Ontario the portion of its surplus funds as determined by the Minister. In fiscal 2002, the Commission obtained approval from the Ministry of Government and Consumer Services to establish a Reserve account not to exceed 25% of the Commission's annual operating budget. These funds will be used as an operating contingency against unanticipated revenue shortfalls.

5. Amounts Held in Trust

As at March 31, 2015, the Commission held funds in trust in interest-bearing bank accounts for others in the horse racing industry, as follows:

	2015 ($ 000)	2014 ($ 000)
Amounts held in trust:		
Standardbred horsepeople purse account funds	668	851
Total Carbon Dioxide Program	20	152
Quinte racetrack horsepeople purse account funds	12	12
	700	1,015

Trusts administered by the Commission are not included in the financial statements as the assets are not held for the benefit of the Commission.

(A) STANDARDBRED HORSEPEOPLE PURSE ACCOUNT FUNDS

The Commission is holding purse funds from vacated markets and non-licensed tracks for re-distribution for purses at other racetracks.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

(B) TOTAL CARBON DIOXIDE (TCO2) PROGRAM

The amount held in trust represents funding received from the Canadian Pari-Mutuel Agency ("CPMA") in prior years to subsidize the tracks for the costs of tests to detect the presence of alkalinizing agents in horses at racetracks that provide pari-mutuel betting. These amounts were not paid prior to the year end and are being held in trust for the racetracks.

(C) QUINTE RACETRACK HORSEPEOPLE PURSE ACCOUNT FUNDS

Due to the lack of a licensed operator at the Quinte racetrack, commencing December 2008 the Commission has held the horsepeople purse account in trust.

6. Accounts Receivable

	March 31, 2015 ($ 000)	March 31, 2014 ($ 000)
Revenue and other receivables	1,080	497
HST Receivable	99	1,057
	1,179	1,554
Less: Allowance for Doubtful Accounts	(26)	(137)
	1,153	1,417

Accounts receivables is comprised of HST receivable and amounts due from industry licensees, which are due upon receipt of invoice. Provisions for doubtful accounts are not necessary on most revenue-related receivables due to the licensing relationship that the Commission has with these parties. The allowance for doubtful accounts represents the corresponding provision for a portion of fines receivable.

7. Accounts Payable and Accrued Liabilities

	March 31, 2015 ($ 000)	March 31, 2014 ($ 000)
Accounts payable	3,153	642
Accrued vacation, salaries and benefits	723	799
	3,876	1,441

Accounts Payable relates largely to normal business transactions with third-party vendors and is subject to standard commercial terms. Accrued vacation, salaries and benefits are recorded based on employment arrangements and employment practices under the related legislation. Compensation payables are paid out as required under these contractual or statutory obligations.

8. Employee Benefits

(A) PENSION BENEFITS

The Commission's annual payments of $280,000 (2014-$294,000), are included in employee benefits expense in Note 15.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

(B) ACCRUED BENEFIT OBLIGATION

The accrued benefit obligation records earned employee severance payments due upon termination or retirement.

9. Tangible Capital Assets

			($ 000)		($ 000)
	Computer equipment and software	Custom Developed Software	Office furniture and equipment	Leasehold Improvements	Net Book Value
Cost					
Opening balance, April 1, 2014	465	—	291	450	1,206
Additions	2	44	1	—	47
Closing Balance, March 31, 2015	467	44	292	450	1,253
Accumulated Amortization					
Opening Balance, April 1, 2014	(412)	—	(278)	(360)	(1,050)
Amortization	(26)	—	(4)	(45)	(75)
Closing Balance, March 31, 2015	(438)	—	(282)	(405)	(1,125)
Net Book Value, March 31, 2015	29	44	10	45	128

		($ 000)		($ 000)
	Computer equipment and software	Office furniture and equipment	Leasehold Improvements	Net Book Value
Cost				
Opening balance, April 1, 2013	416	284	450	1,150
Additions	49	7	—	56
Closing Balance, March 31, 2014	465	291	450	1,206
Accumulated Amortization				
Opening Balance, April 1, 2013	(399)	(272)	(315)	(986)
Amortization	(13)	(6)	(45)	(64)
Closing Balance, March 31, 2014	(412)	(278)	(360)	(1,050)
Net Book Value, March 31, 2014	53	13	90	156

During the year the ORC began developing the International Racing Information and Intelligence Service (IRIIS). IRIIS is a global data-sharing platform that will allow the sharing of information across multiple regulatory communities. As of March 31, 2015 costs of $44,000 have been capitalized for this project. These costs will be amortized over a 7 year period.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

10. Regulatory Funding

The regulatory funding amount was established such that the total sum of this funding and other revenues received by the Commission would be sufficient to cover all costs associated with the operation of the Commission. The funding is calculated as a percentage of total wagering made at each racing association. Effective April 1, 2014 the percentage of wagering earned as regulatory funding increased from 0.5 percent to 0.75 percent.

11. Cost Recovery

The Commission recovers certain costs from the industry and OMAF for its activities as follows:

	2015 ($ 000)	2014 ($ 000)
Cost recovery from:		
Equine Medication and Drug Control	-	819
OMAF - Transition Funding (Note 3)	-	484
TCO2 Program	522	454
Horse Improvement Program	-	285
Quarter Horse Racing Industry Development Program	-	131
Miscellaneous	83	125
Purse Examinations	-	20
	605	2,318

(A) EQUINE MEDICATION AND DRUG CONTROL

A letter of intent dated December 20, 2006, between an Ontario horse racing industry advisory group and the Commission established the Equine Medication Control and Drug Task Force. The mandate of the Task Force, which is administered by the Commission and partially funded by the racetracks and the horsepeople purse accounts, is to combat the supply and use of illegal equine medications and drugs in the Ontario horse racing industry. The agreement, which covered the two year period from January 1, 2007 through December 31, 2008, required the industry to provide regular payments to fund the Task Force and the Commission recorded these payments as a deferred cost recovery from industry until the related costs were incurred. Since the expiration of that initial two year agreement, the Commission has arranged to continue administering the Task Force under the same terms and financial arrangements. As of March 31, 2014 all Task Force funding from the industry had been spent. Beginning in fiscal 2015, the Equine Medication and Drug Control Program is being funded through an increase in the overall Regulatory Funding (Note 10).

(B) TCO2 PROGRAM

As of October 1, 2010, the Commission assumed responsibility for the sample collection and laboratory testing services of the TCO2 Program. The costs of tests to detect the presence of alkalinizing agents in horses at racetracks that provide pari-mutuel betting are included as Medication Control. These test costs are fully recovered and included as Cost Recovery through charges to the racetrack operators, net of CPMA funding subsidies.

(C) HORSE IMPROVEMENT PROGRAM

As of May 1, 2005, the Commission assumed responsibility for the administration of the Horse Improvement Program (HIP). The HIP is a racing and breeding incentive program that was established in 1974. The objectives of the program are: to

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

supplement purses paid; to improve the quality and quantity of racing stock in Ontario; to fund equine research; to promote the Ontario-bred horse; and to promote horse breeding and ownership in the province. A Memorandum of Understanding (MOU) effective September 30, 1996 between the then Ministry of Consumer and Commercial Relations, the Ontario Horse Racing Industry Association and the Commission provided for a reduction of pari-mutuel taxes, with these forgone revenues being allocated to various industry participants. The MOU had been supplemented by subsequent agreements to include an allocated portion of revenues from slot machines at racetracks. This portion of the HIP funding ended March 31, 2013. Effective April 1, 2014, the costs of administering the HIP were funded through the HRPFP. Separate financial statements have been prepared for the HIP, which were audited by an independent public accounting firm.

(D) QUARTER HORSE RACING INDUSTRY DEVELOPMENT PROGRAM

As a result of an agreement between the Ontario Lottery and Gaming Corporation and owners of the Ajax Downs racetrack, the Commission assumed responsibility to administer the Quarter Horse Racing Industry Development Program (QHRIDP) with an objective to establish a program for the betterment of the Ontario quarter horse racing industry and horse racing in general. Since March 2006, the program had been funded by an allocated portion of revenues from slot machines at the racetrack. Effective April 1, 2014 the quarter horse industry in Ontario, including the costs of administrating the QHRIDP, is funded through the Ontario Horse Racing Partnership Funding Program (Note 3). Separate financial statements have been prepared for the QHRIDP, which were audited by an independent public accounting firm.

(E) PURSE EXAMINATIONS

Pursuant to changes to the Rules of Racing that were approved in fiscal 2008, the Commission recovered its costs for conducting examinations on the financial statements of the purse accounts that the racetrack operators hold in trust for the horsepeople.

12. Members' Remuneration

Total remuneration of the Chair and members of the Commission for the year was $139,000 (2014 – $192,000). Members' remuneration is charged to Governance expense in the Statement of Operations and in Services in Note 15.

13. Financial Instruments

(A) LIQUIDITY RISK:

Liquidity risk is the risk that the Commission will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Commission manages its liquidity risk by monitoring its operating requirements. The Commission prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

(B) CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission is exposed to credit risk arising from its accounts receivable. Due to the nature of these receivables, the Commission recognizes its receivables net of an impairment based on historical trends.

It is management's opinion that the Commission is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

14. Commitments and Contingencies

(A) The Commission is committed under operating leases on head office premises and vehicles with future minimum rental payments due for each fiscal year as follows:

	Premises ($ 000)	Vehicles ($ 000)	Total ($ 000)
2016	384	48	432
2017	26	35	61
2018	13	10	23
2019	-	8	8
	423	101	524

(B) The Commission is involved in various legal actions arising out of the ordinary course of business. These matters may give rise to future liabilities. The outcome and ultimate disposition of these actions are not determinable at this time, and accordingly, no provision has been made in these financial statements for any liability that may result. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs.

15. Expenses by Object

The following is a summary of expenses by object:

	2015 ($ 000)	2014 ($ 000)
Salaries and wages	4,602	4,604
Services (Note 16)	101,073	3,572
Employee benefits (Note 8)	816	834
Transportation and communication	840	725
Supplies	115	117
Amortization	75	64
Total expenses	107,521	9,916

Expenses incurred for a specific activity are allocated to that activity based on actual costs. Expenses that have not been identified with a specific activity, such as overhead costs, have been allocated to the lines of business on the Statement of Operations based on estimates of time spent in each activity.

Ontario Racing Commission

Notes to Financial Statements
March 31, 2015

16. Related Party Transactions

The Commission paid the Province of Ontario for: Ontario Provincial Police investigative and related services totalling $961,000 (2014 – $907,000); and for administrative services, information technology services, and use of computer equipment totalling $222,000 (2014 – $191,000).

During the year, the Commission received funding from OMAFRA under the Horse Racing Partnership Funding Program of $99.8 million (Note 3).

The Commission has governance and administrative responsibilities over certain industry-funded programs and recovers some of its costs as disclosed under Note 11.

17. Deferred Lease Inducement

As part of its lease arrangements for its head office premise, the Commission negotiated a lease inducement of $820,000. This included the value of rent free periods and to cover the costs of leasehold improvements. This deferred lease inducement is being amortized as a reduction of rent expense on a straight-line basis over the 10-year lease period that commenced April 1, 2006, being the start date of the lease.

18. Budgeted Figures

The budgeted figures for the Commission represent the initial budget for the year approved by the Board of Directors of the Commission. The budgeted figures for the HRPFP were established in the Agreement Amending the ORC Accountability Agreement with the then OMAF dated March 26, 2014. These financial statements present only the original approved Budget.

19. Future of the Commission

In the April 23, 2015 provincial budget the government stated that is it committed to strategically realigning provincial horse racing regulation, adjudication and funding within government and agencies. Strengthening collaboration between industry and government is important to the industry's long-term sustainability, recognizing its role in both rural and urban Ontario.

In 2015-2016 the government announced it will propose legislative changes to a number of statutes. If passed, these changes would integrate financial support for provincial horse racing within Ontario Lottery and Gaming Corporation's mandate and transfer regulatory responsibilities for horse racing to the Alcohol and Gaming Commission of Ontario.

ONTARIO SECURITIES COMMISSION

Management's Responsibility and Certification

Management is responsible for the integrity, consistency and reliability of the financial statements and other information presented in the annual report. The financial statements have been prepared by Management in accordance with International Financial Reporting Standards.

We certify that we have reviewed the financial statements and other information contained in the annual report, and, based on our knowledge, they do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the statements and the annual report.

Based on our knowledge, the financial statements together with other financial information included in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Ontario Securities Commission (the "OSC") as of the dates and for the periods presented. The preparation of financial statements involves transactions affecting the current period which cannot be finalized with certainty until future periods. Estimates and assumptions are based on historical experience and current conditions, and are believed to be reasonable.

We are responsible for establishing and maintaining internal control over financial reporting for the OSC. We have designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We evaluated, or caused to be evaluated under our supervision, the effectiveness of the OSC's internal control over financial reporting at the financial year end and the OSC has disclosed in its annual MD&A our conclusion about the effectiveness of internal control over financial reporting at the financial year end based on that evaluation.

We have also disclosed in the MD&A any change in our internal control over financial reporting that occurred during the year that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

The Board of Directors ensures that management fulfills its responsibility for financial reporting and internal control. The financial statements have been reviewed by the Audit and Finance Committee and approved by the Board of Directors. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.

Howard I. Wetston, Q.C.
Chair and Chief Executive Officer
June 8, 2015

[illegible]
Director, Corporate Services

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Securities Commission

I have audited the accompanying financial statements of the Ontario Securities Commission, which comprise the statement of financial position as at March 31, 2015, and the statement of comprehensive income, statement of changes in surplus and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Securities Commission as at March 31, 2015 and its financial performance, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Bonnie Lysyk, CPA, CA, MBA, LPA
Auditor General
June 8, 2015

Statement of financial position

(in Canadian dollars)

As at March 31, 2015	Note(s)	2015	2014
ASSETS			
Current			
Cash		$16,984,305	$9,518,603
Trade and other receivables	4, 5	2,975,339	3,503,209
Prepayments		1,373,481	1,292,995
Total current		**$21,333,125**	$14,314,807
Non-current			
Funds held pursuant to designated settlements and orders	3(d), 6	24,702,966	18,573,291
Net assets held for CSA Systems operations and redevelopment	7, 17	128,793,173	115,685,590
Reserve fund assets	8	20,000,000	20,000,000
Property, plant & equipment	9	12,584,733	13,675,681
Total non-current		**$186,080,872**	$167,934,562
Total assets		**$207,413,997**	$182,249,369
LIABILITIES			
Current			
Trade and other payables	10	$16,082,770	$18,332,125
Total current		**$16,082,770**	$18,332,125
Non-current			
Pension liabilities	12(b)	3,560,802	3,118,630
Funds held pursuant to designated settlements and orders	3(d), 6	24,702,966	18,573,291
Net assets held for CSA Systems operations and redevelopment	7, 17	128,793,173	115,685,590
Total non-current		**$157,056,941**	$137,377,511
Total liabilities		**$173,139,711**	$155,709,636
SURPLUS			
General		$14,274,286	$6,539,733
Reserve	8, 13	20,000,000	20,000,000
Operating surplus		**$34,274,286**	$26,539,733
Total liabilities and surplus		**$207,413,997**	$182,249,369

The related notes are an integral part of these financial statements.

On behalf of the Board of the Commission

Sarah B. Ka

Howard I. Wetston, Q.C.
Chair

Sarah Kavanagh
Chair, Audit and Finance Committee

Statement of comprehensive income

(in Canadian dollars)

For the year ended March 31, 2015	Note(s)	2015	2014
REVENUE			
Fees	3(c), 14	$103,655,869	$98,441,276
Miscellaneous		159,286	108,047
Interest income		120,645	127,797
		$103,935,800	**$98,677,120**
EXPENSES			
Salaries and benefits	15	$76,230,578	$74,471,187
Administrative	16	8,016,972	7,760,794
Occupancy		7,741,228	7,996,668
Professional services		3,551,063	4,446,393
Depreciation	9	2,702,076	2,480,939
Other		628,203	506,546
		$98,870,120	$97,662,527
Recoveries of enforcement costs	3(c)	(2,995,062)	(507,879)
		$95,875,058	**$97,154,648**
Excess of revenue over expenses		**$8,060,742**	**$1,522,472**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit and loss:			
Remeasurements of defined benefit pension plans	12(b)	$(326,189)	$(290,257)
Other comprehensive loss		**$(326,189)**	**$(290,257)**
Total comprehensive income		**$7,734,553**	**$1,232,215**

The related notes are an integral part of these financial statements.

Statement of changes in surplus

(in Canadian dollars)

For the year ended March 31, 2015	Note(s)	2015	2014
Operating surplus, beginning of year		$26,539,733	$25,307,518
Total comprehensive income		7,734,553	1,232,215
Operating surplus, end of year		**$34,274,286**	**$26,539,733**
Represented by:			
General		$14,274,286	$6,539,733
Reserve	8, 13	20,000,000	20,000,000
		$34,274,286	**$26,539,733**

The related notes are an integral part of these financial statements.

Statement of cash flows

(in Canadian dollars)

For the year ended March 31, 2015	Note(s)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses		$8,060,742	$1,522,472
Adjusted for:			
Interest received		$117,660	$134,799
Interest income		(120,645)	(127,797)
Interest expense on line of credit		101,499	130,305
Pension liabilities		115,982	96,846
Loss on disposal of Property, plant & equipment	9	5,159	40,214
Depreciation	9	2,702,076	2,480,939
		$10,982,473	$4,277,778
CHANGES IN NON-CASH WORKING CAPITAL			
Trade and other receivables		$530,855	$56,032
Prepayment		(80,486)	(163,230)
Trade and other payables		(2,249,355)	1,242,003
		$(1,798,986)	$1,134,805
Net cash flows from operating activities		**$9,183,487**	$5,412,583
CASH FLOWS USED IN INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	$(1,616,286)	$(6,939,659)
Net cash flows used in investing activities		**$(1,616,286)**	$(6,939,659)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Interest paid on line of credit		$(101,499)	$(130,305)
Net cash flows used in financing activities		**$(101,499)**	$(130,305)
Net increase/(decrease) in cash position		$7,465,702	$(1,657,381)
Cash position, beginning of period		**9,518,603**	11,175,984
Cash position, end of period		**$16,984,305**	$9,518,603

The related notes are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

The Ontario Securities Commission (OSC) is a corporation domiciled in Canada. The address of the OSC's registered office is 20 Queen Street West, Toronto, Ontario, M5H 3S8. The OSC is a corporation without share capital and is the regulatory body responsible for regulating the province's capital markets. As a Crown corporation, the OSC is exempt from income taxes.

2. Basis of presentation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are for the year ended March 31, 2015 (including comparatives) and were authorized for issue by the Board of Directors on June 8, 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, and pension liabilities that are measured net of actuarial gains and losses, as explained in **Note 3(e)**. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the OSC's functional currency. Amounts have been rounded to the nearest dollar.

(d) Use of judgments and sources of estimation uncertainty

(i) Judgments

The preparation of financial statements in accordance with IFRS requires that management make judgments in applying accounting policies that can affect the reported amounts of assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenue and expenditures for the period.

The following are the judgments in applying accounting policies, apart from those involving estimates, that have the most significant effect on the amounts recognized in the financial statements.

Investor Education Fund (IEF)

The IEF was a non-profit organization funded by settlements and fines from enforcement proceedings of the OSC. Prior to the dissolution of the IEF on March 31, 2015, there were a number of areas where judgment was exercised to establish whether the IEF needed to be consolidated with the OSC. Key areas of judgment included control, legal relationships, contractual terms, board and management representation, power to govern, benefits and materiality. OSC management has exercised judgment in these areas to determine that consolidation of the IEF with the OSC results would not be appropriate because investors in the capital markets, rather than the OSC, obtain the benefit or variable returns from the activities of the IEF.

With the dissolution of the IEF, judgment was exercised in the transfer of its remaining assets and liabilities to the OSC as the sole shareholder. For more information on the IEF, including its dissolution, see **Note 18** and **Note 19**.

Net assets held for Canadian Securities Administrators (CSA) Systems operations and redevelopment (CSA Systems net assets)

The OSC has been appointed to administer the financial management processes of the CSA Systems net assets, which mainly consist of surplus funds accumulated from systems fees charged to market participants. Based on an evaluation of the contractual terms and conditions related to the arrangement, OSC management has exercised judgment to determine that participants in the capital markets, rather than the OSC (or other CSA members, including the Investment Industry Regulatory Organization of Canada [IIROC] in the case of the National Regristration Database [NRD] until October 13, 2013) obtain the benefit or rewards from the net assets or any future development of the CSA Systems. The OSC has also determined that in performing its administrative role for the CSA Systems net assets, it does not control or have significant influence over how the net assets are managed.

The OSC exercised judgment to determine that the net assets administered by the OSC on behalf of CSA Systems are best represented by the presentation of an asset and a corresponding liability.

See **Note 7** for more information, including summary financial information related to the CSA Systems net assets.

(ii) Sources of estimation uncertainty

The preparation of financial statements in accordance with IFRS requires management to make assumptions about the future and other sources of estimation uncertainty that have a significant risk of affecting the carrying amounts of assets and liabilities within the next fiscal year.

Determining the carrying amounts of some assets and liabilities requires management to estimate the effects of uncertain future events on those assets and liabilities at the end of the reporting period. Actual amounts can differ from these estimates to the extent future outcomes differ significantly from management's estimations. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the key assumptions and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year.

Supplemental pension plan

Supplemental pension plan liabilities represent the estimated present value of the OSC's obligation for future payments on March 31, 2015. The OSC utilizes an independent actuarial expert to determine the present value of the defined benefit obligation of the Supplemental pension plan and related impact to the Statement of comprehensive income, and Other comprehensive income (OCI).

In some cases, this determination will involve management's best estimates and information from other accredited sources. A change in one or more of these assumptions could have a material impact on the OSC's financial statements.

The significant actuarial assumptions used to determine the present values of the defined benefit obligations and sensitivity analysis of changes in the actuarial assumptions used are outlined in **Note 12(b)**.

Designated settlements and orders and Recoveries of enforcement costs

Designated settlements and orders and Recoveries of enforcement costs are recognized net of amounts deemed uncollectible when it is expected that the amount related to the sanction imposed on respondents is collectible. Estimation is required to determine the amount of designated settlements to recognize and orders that will be collected, and the estimated Recoveries of enforcement costs.

Management considers the ability of the respondent to pay the sanction amount, the ability to locate the respondent and whether the respondent owns any assets. A change in any of these factors can have a material impact on the OSC's financial statements. Assets and liabilities will change related to estimated designated settlements and order amounts deemed to be collectible. Expenses may change related to the Recoveries of enforcement costs. For more information on Designated settlements and orders, see **Note 6**.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. See **Note 20** for discussion related to accounting standards, interpretations and amendments that became effective in the year.

(a) Financial instruments

Financial assets and financial liabilities are recognized when the OSC becomes a party to the contractual provisions of the instrument.

Financial instruments are classified into one of the following categories: financial assets at fair value through profit or loss (held-for-trading), loans and receivables, and other liabilities.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when all substantial risks and rewards of the financial assets are transferred.

A financial liability is derecognized when it is extinguished; that is, when the contractual obligation is discharged, cancelled or expires.

The OSC has adopted the following classifications for financial assets and financial liabilities:

Financial assets at fair value through profit or loss (held-for-trading)

Cash, Funds held pursuant to designated settlements and orders, funds included in the Net assets held for the CSA Systems operations and redevelopment, and Reserve fund assets are classified as held-for-trading. The recorded balances approximate their fair value.

Loans and receivables

Trade and other receivables and receivables from designated settlements and orders are classified as loans and receivables and are measured at amortized cost, less any impairment loss. Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of a market participant, or default or significant delay in payment) that the OSC will be unable to collect all of the amounts due under the terms of the amount receivable.

Other liabilities

Trade and other payables are classified as other liabilities and measured at amortized cost. The recorded balances approximate their fair value.

(b) Property, plant & equipment

Items of Property, plant & equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of the Property, plant & equipment, less any residual value, is depreciated and recognized in profit and loss on a straight-line basis over the estimated useful life of the asset, as follows:

Computer hardware and related applications	Network servers and cabling	Office furniture and equipment	Leasehold improvements
3 years	5 years	5 to 10 years	Over remaining term of the lease plus one option period

The estimated useful lives, residual values and depreciation method are reviewed at the end of each fiscal year. Any changes in estimates are accounted for on a prospective basis.

An item of Property, plant & equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of an item of Property, plant & equipment is determined as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in profit or loss.

Items of Property, plant & equipment are reviewed for impairment at each reporting date. If any impairment is indicated, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

(c) Revenue recognition

Participation fees

Participation fees are recognized when received. Prior to receipt of the fee, the probability that the economic benefits associated with the transaction will flow to the OSC is unknown. In addition, reliable measurement of participation fees for new market participants is not possible because the market capitalization of issuers or the specified Ontario revenue of registrants, on which their participation fees are based, cannot be determined prior to receipt.

These fees represent the payment for the right to participate in the Ontario capital markets, and the OSC has no specific obligations throughout the year to any individual market participant. As such, the OSC's performance consists of a single act, which is receipt of the fee payment. Once the fee is paid, there is no obligation to refund the fees and there are no other unfulfilled conditions on behalf of the OSC. Therefore, participation fees are deemed to be earned upon receipt, except in the case of specified regulated entities that file their participation fees through the OSC's electronic filing portal, which are recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

Activity fees

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants. Because the activities undertaken are normally completed in a relatively short period of time, activity fees are recognized when the filing is received.

Late filing fees

Late filing fees relating to insider trading reports are recognized weekly and include fees related to all insider trading reports filed late in the preceding seven-day period. Other late fee amounts are recognized when the fee amount can be reliably measured, which is the date the required document has been filed, or the corresponding outstanding fee is paid.

Recoveries of enforcement costs

Recoveries of enforcement costs are recorded as offsets to total expenses on the date a settlement is approved or an order is issued by the OSC, unless management determines that collecting the settlement amount is significantly doubtful, in which case, recovery is recognized when payment is received.

(d) Funds held pursuant to designated settlements and orders

Funds held pursuant to designated settlements and orders are recorded when settlements are approved or orders are made by the Commission, unless management determines that collecting the settlement amount is significantly doubtful, in which case they are recognized when payment is received. Due to the restricted use of Funds held pursuant to designated settlements and orders, a corresponding Non-current liability that equals the related Non-current asset is reflected in the Statement of financial position.

(e) Employee benefits

Ontario's Public Service Pension Plan

The OSC provides pension benefits to its full-time employees through participation in Ontario's Public Service Pension Plan (OPSPP), which is a multi-employer defined benefit pension plan. The Province of Ontario is the sole sponsor of the OPSPP. This plan is accounted for as a defined contribution plan because sufficient information is not provided to the OSC or otherwise available for the OSC to apply defined benefit plan accounting to this pension plan.

The plan sponsor is responsible for ensuring that the pension funds are financially viable. Any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the OSC. The OSC is not exposed to any liability to the plan for other entities' obligations under the terms and conditions of the multi-employer plan. There is no deficit or surplus in the plan that could affect the amount of future contributions for the OSC.

In addition, there is no agreed allocation of a deficit or surplus on wind-up or withdrawal by the OSC from the plan. Payments made to the plan are recognized as an expense when employees have rendered service entitling them to the contributions. For more information on the OPSPP, see **Note 12(a)**.

Supplemental pension plan

The OSC also maintains unfunded supplemental pension plans for certain full-time Commission members as described in **Note 12(b)**. These plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of the target benefits provided depends on the members' length of service and their salary in the final years prior to retirement. In some plans, the target benefits are indexed with inflation. The target benefits are then offset by the benefits payable from the OPSPP (registered and supplemental plans), which is linked to inflation.

The defined benefit liability recognized in the Statement of financial position for the supplemental pension plans is the present value of the defined benefit obligation at the reporting date.

Actuarial gains and actuarial losses resulting from remeasurements of the net defined benefit liability arising from the supplemental pension plans are recognized immediately in the Statement of financial position with a corresponding debit or credit through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Other post-employment obligations

The costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income, as described in **Note 18(c)**.

Termination benefits

Termination benefits are generally payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The OSC recognizes a liability and an expense for termination benefits as the earlier of the date the OSC has demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without a realistic possibility of withdrawal,
or when the OSC has recognized costs for providing termination benefits as a result of a restructuring involving a fundamental reorganization that has a material effect on the nature and focus of OSC operations.

Short-term benefits

Short-term employee benefits, such as salaries, pension contributions, paid annual leaves and bonuses, are measured on an undiscounted basis and are expensed as the related service is provided to the OSC.

(f) Leases

All leases currently recorded are classified as operating leases. Lease payments are expensed on a straight-line basis over the term of the lease.

In the event that lease incentives are received to enter into operating leases, the aggregate benefit of the incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) Provisions

A provision is recognized when a present legal or constructive obligation results from past events, it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

4. Financial instruments risks

The OSC is exposed to various risks in relation to financial instruments. The OSC's objective is to maintain minimal risk. The OSC's financial assets and liabilities by category are summarized in **Note 3(a)**. The main types of risks related to the OSC's financial instruments are currency risk, interest rate risk, credit risk and liquidity risk. This note provides information about the OSC's exposure to these risks and the OSC's objectives, policies and processes for measuring and managing these risks.

Currency risk

The OSC's exposure to currency risk is minimal due to the low number of transactions denominated in currencies other than Canadian dollars.

Interest rate risk

The OSC's financial assets and liabilities are not exposed to significant interest rate risk due to their short-term nature. The OSC's Cash, Funds held pursuant to designated settlements and orders, Net assets held for CSA Systems operations and redevelopment (cash components) and Reserve fund assets are held by Schedule 1 banks (and credit unions in British Columbia with respect to Net assets held for CSA Systems operations and redevelopment cash components). The bank balances earn interest at a rate of 1.85% below the prime rate. The average rate of interest earned on bank balances for the year was 1.12% (2014 – 1.15%). The Reserve fund earned interest at an average rate of 1.12% (2014 – 1.15%).

A 25 basis points change in the interest rate would impact the OSC's operating surplus as follows:

Impact on operating surplus	25 basis points increase in rates	25 basis points decrease in rates
	$5,526	$(5,526)
Reserve fund assets	22,206	(22,206)
Cash balance	$27,732	$(27,732)

Credit risk

The OSC is exposed to minimal credit risk related to Cash, Funds held pursuant to designated settlements and orders, cash components of Net assets held for CSA Systems operations and redevelopment, Reserve fund assets and Trade and other receivables.

Schedule 1 financial institutions hold approximately 61% of the OSC's financial assets including those held for CSA Systems operations and redevelopment and another 34% are held in two credit unions in British Columbia (for cash components of Net assets held for CSA Systems operations and redevelopment exclusively). The Credit Union Deposit Insurance Corporation (CUDIC), a statutory corporation, guarantees all deposits of British Columbia credit unions as set out in the *Financial Institutions Act*. Given the nature of these counterparties, it is management's opinion that exposure to concentration of credit risk is minimal. In addition, the investment policy for Cash, Reserve fund assets and for Funds held pursuant to designated settlements and orders limits amounts held on deposit in any one of the Schedule 1 banks to $30.0 million for each category.

Trade receivable balances consist of a large number of debtors owing individually immaterial balances.

Other receivables in aggregate are material, with most debtors owing individually and in aggregate immaterial amounts, and a small number of debtors owing larger amounts, which are material in aggregate or individually, and are receivable from:

- Net assets held for CSA Systems operations and redevelopment, which the OSC oversees, to recover staff costs and other charges incurred; and
- Government of Canada for recovering Harmonized Sales Tax (HST) paid during the

year. Therefore, the OSC's exposure to concentration of credit risk is minimal.

The OSC maintains an allowance for doubtful accounts. Therefore, the carrying amount of Trade and other receivables generally represents the maximum credit exposure. Based on historical information about debtors' default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. Collection efforts continue for Trade and other receivables balances, including those that are captured in the allowance for doubtful accounts.

The aging of Trade and other receivables is as follows:

	Note	March 31, 2015	March 31, 2014
		$1,985,003	$2,112,349
Current		383,682	575,207
Past due 31 to 60 days		266,971	312,254
Past due 61 to 90 days		339,683	[illegible]
Past due greater than 90 days (net)	5	$2,975,339	$3,303,109
Trade and other receivables			

Past due greater than 90 days detail	Note	March 31, 2015	March 31, 2014
Past due greater than 90 days (gross)		$887,761	$1,445,555
Allowance for doubtful accounts	5	(308,078)	(1,140,299)
Past due greater than 90 days (net)		**$579,683**	$305,256

Reconciliation of allowance for doubtful accounts is as follows:

Past due greater than 90 days detail	Note	March 31, 2015	March 31, 2014
Opening balance		$1,140,299	$1,070,344
Current year provision		455,799	104,215
Written-off during the year		(1,288,020)	(34,260)
Closing balance	5	**$308,078**	$1,140,299

In 2015, $1,288,020 of Trade and other receivables that related to balances owing prior to April 1, 2014 were written off, resulting in a reduction to the allowance for doubtful accounts and a corresponding reduction of Trade and other receivables for the same amount. As a result, there was no change to the Trade and other receivables balance in the Statement of financial position. The amount written off was charged to bad debt expense in prior years as part of the current year provision for those prior years. The current year provision of $455,799 was charged to bad debt expense for fiscal 2015.

Liquidity risk

The OSC's exposure to liquidity risk is low as the OSC has sufficient Cash, Reserve fund assets, and access to a credit facility to settle all current liabilities. As at March 31, 2015, the OSC had a cash balance of $17.2 million and reserve fund assets of $20.0 million to settle current liabilities of $18.1 million.

The OSC has a $52.0 million credit facility to address any short-term cash deficiencies. Interest on the credit facility is charged at a rate of 0.5% below the prime rate. During the year, the OSC utilized the credit facility to a maximum of $19.5 million. As at March 31, 2015, there is no amount outstanding on the credit facility.

The overall exposure to liquidity risk remains unchanged from 2014.

Supplemental pension plan risks

The OSC's overall exposure to supplemental pension plan risks is low due to the plan being a supplemental plan and the limited number of plan members entitled to plan benefits. For more information, see **Note 12(b)**.

5. Trade and other receivables

	Note	March 31, 2015	March 31, 2014
Trade receivables		$1,228,444	$1,345,114
Other receivables		1,637,527	1,675,116
Allowance for doubtful accounts	4	(308,078)	(1,140,299)
		$2,557,893	$1,879,931
Interest receivable		26,793	24,538
Due from IEF	10	–	330,178
HST recoverable		390,991	1,399,853
Total Trade and other receivables	4	**$2,975,677**	$3,634,500

6. Funds held pursuant to designated settlements and orders

The OSC has a number of settlement agreements and orders arising from enforcement proceedings where monies from these settlements and orders are to be set aside and allocated to such third parties as the OSC may determine. As a result of an amendment to the Securities Act (Ontario) effective June 2012, the Commission may also use these funds for the purpose of educating investors, or promoting or otherwise enhancing knowledge and information of persons regarding the operation of the securities and financial markets, including such designated internal costs as approved by the Board. The accumulated funds are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%. The OSC will allocate these funds as it determines appropriate in its discretion. This includes allocations to harmed investors, where appropriate and where an allocation can be reasonably effected.

As at March 31, 2015, the accumulated balance is determined as follows:

	Note	March 31, 2015	March 31, 2014
Opening balance		$18,273,281	$13,758,189
Assessed during the year		$32,370,581	$31,375,000
Less:			
Amounts to be paid directly to investors		–	–
Adjustments to present value		(119,877)	[illegible]
Orders deemed uncollectible		(23,312,108)	[illegible]
Amount recorded from assessments in year		**8,949,859**	3,752,188
Amounts collected in advance of an order		–	100,000
Adjustments to amounts assessed in prior years		1,340,372	31,720
Total Settlements and orders recorded		**10,290,229**	3,883,908
Add: Interest		**167,838**	168,271
Less:			
Paid to IEF	10	(2,070,000)	[illegible]
Net IEF Liabilities	10	(48,873)	–
Paid to FAIR Canada		(2,500,000)	[illegible]
Other payments		(32,210)	[illegible]
Closing balance		**$24,702,888**	$18,273,281
Represented by			
Cash		$15,863,303	[illegible]
Receivable		8,838,884	4,716,802
		$24,702,888	$18,273,281

The $10,290,229 (2014 – $3,883,908) identified as total settlements and orders recorded reflects the portion of $32,370,581 (2014 – $31,375,000) in settlements and orders that was assessed during the year, for which payment was either received or has been deemed collectible. This total includes $1,340,372 (2014 – $31,720) in adjustments from orders recorded in prior years.

The adjustments to amounts assessed in prior years include portions of orders from prior years that are on payment plans that were recorded in fiscal 2015, plus the amount that had been previously deemed uncollectible where payment was received in fiscal 2015, less the amount that is now deemed as uncollectible, but had been deemed as collectible in prior periods. As at March 31, 2015, $8,838,884 (2014 – $4,716,802) was considered receivable because these amounts are expected to be collected.

[illegible]

[illegible]

[illegible]

7. Net assets held for CSA Systems operations and redevelopment (CSA Systems net assets)

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

a. [illegible]

b. [illegible]

c. [illegible]

[illegible]

[illegible]

The results of the Net assets held for CSA Systems operations and redevelopment are presented below:

Financial position

	As at March 31, 2015
ASSETS	
Current	
Cash	$35,390,508
Investments	90,000,000
Trade and other receivables	3,003,521
Prepayments	672,909
Total current	**$129,066,938**
Intangible asset	1,400,176
Total assets	**$130,467,114**
LIABILITIES	
Current	
Trade and other payables	$1,613,001
Deferred revenues	60,940
Total current	**$1,673,941**
Total liabilities	**$1,673,941**
SURPLUS	
Opening surplus	$115,685,590
Excess of revenue over expenses	13,107,583
Closing surplus	**$128,793,173**
Total liabilities and surplus	**$130,467,114**

Results of operations

	Year ended March 31, 2015
REVENUE	
NRD system fees	$13,935,844
SEDAR system fees	11,039,597
Data distribution services fees	489,875
Interest income	1,552,815
Total revenues	**$27,018,131**
EXPENSES	
Salaries and benefits	$2,542,607
Professional services	10,718,950
Depreciation	269,980
Other	379,011
Total expenses	**$13,910,548**
Excess of revenues over expenses	**$13,107,583**

Cash flows

	Year ended March 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES	
Excess of revenue over expenses	$13,107,583
Adjusted for:	
Interest income received	1,116,584
Interest income	(1,552,815)
Depreciation	269,980
	$12,941,332
Changes in non-cash working capital:	
Trade and other receivables	$416,475
Prepayments	577,359
Trade and other payables	250,371
Deferred revenue	60,940
	$1,305,145
Net cash flows from operating activities	**$14,246,477**
CASH FLOWS USED IN INVESTING ACTIVITIES	
Purchase of intangible asset	$(961,822)
Purchase of investments	(90,000,000)
Net cash flows used in investing activities	**$(90,961,822)**
CASH FLOWS USED IN FINANCING ACTIVITIES	–
Net increase/(decrease) in cash position	**$(76,715,345)**
Cash position, beginning of period	**112,105,853**
Cash position, end of period	**$35,390,508**

For more information on the Net assets held for CSA Systems operations and redevelopment, see **Note 2(d)** and **Note 17**.

8. Reserve fund assets

As part of the approval of its self-funded status, the OSC was allowed to establish a $20.0 million reserve to be used as an operating contingency against revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses.

The prime investment consideration for the reserve is the protection of the principal and appropriate liquidity to meet cash flow needs. Interest earned on investments is credited to the operations of the OSC. The March 31, 2015 accumulated reserve fund assets are held in a segregated bank account and earn interest at the monthly average bank prime rate less 1.85%.

9. Property, plant & equipment

	Office furniture	Office equipment	Computer hardware and related applications	Computer hardware and related applications held under finance leases	Networks and servers	Leashold improvements	Total
2015							
GROSS CARRYING AMOUNT							
Balance as at April 1, 2014	$4,696,639	$583,871	$18,795,601	$309,964	$2,513,937	$9,348,307	$36,248,319
Additions	88,766	84,529	1,139,644	–	303,347	–	1,616,286
Disposals	$(65,050)	–	(3,399)	(309,964)	–	(3,545)	(381,958)
Balance at March 31, 2015	**$4,720,355**	**$668,400**	**$19,931,846**	**$0**	**$2,817,284**	**$9,344,762**	**$37,482,648**
DEPRECIATION							
Balance as at April 1, 2014	$(4,135,852)	$(464,407)	$(16,594,672)	$(309,964)	–	$(1,067,743)	$(22,572,638)
Depreciation for the year	(188,308)	(15,450)	(918,216)	–	(464,848)	(1,115,254)	(2,702,076)
Disposals	52,920	–	(79,007)	309,964	–	92,922	376,799
Balance at March 31, 2015	**$(4,271,240)**	**$(479,857)**	**$(17,591,895)**	**$0**	**$(464,848)**	**$(2,090,075)**	**$(24,897,914)**
Carrying amount at March 31, 2015	**$449,115**	**$188,543**	**$2,339,951**	**$0**	**$2,352,436**	**$7,254,687**	**$12,584,733**
2014							
GROSS CARRYING AMOUNT							
Balance as at April 1, 2013	$4,531,620	$581,252	$18,695,699	$309,964	–	$5,594,364	$29,712,899
Additions	266,263	2,619	402,897	–	2,513,937	3,753,943	6,939,659
Disposals	(101,244)	–	(302,995)	–	–	–	(404,239)
Balance at March 31, 2014	**$4,696,639**	**$583,871**	**$18,795,601**	**$309,964**	**$2,513,937**	**$9,348,307**	**$36,248,319**
DEPRECIATION							
Balance as at April 1, 2013	$(3,984,278)	$(449,591)	$(15,552,446)	$(309,964)	–	$(159,445)	$(20,455,724)
Depreciation for the year	(239,959)	(14,816)	(1,317,866)	–	–	(908,298)	(2,480,939)
Disposals	88,385	–	275,640	–	–	–	364,025
Balance at March 31, 2014	**$(4,135,852)**	**$(464,407)**	**$(16,594,672)**	**$(309,964)**	**$0**	**$(1,067,743)**	**$(22,572,638)**
Carrying amount at March 31, 2014	**$560,787**	**$119,464**	**$2,200,929**	**$0**	**$2,513,937**	**$8,280,564**	**$13,675,681**

10. Trade and other payables

	March 31, 2015	March 31, 2014
Trade payables	$591,452	$3,699,262
Payroll accruals	13,395,062	12,148,952
Other accrued expenses	2,096,256	2,483,911
	$16,082,770	$18,332,125

11. Lease commitments

Operating leases

The OSC has entered into operating lease agreements for equipment and office space, and is committed to operating lease payments as follows:

	March 31, 2015	March 31, 2014
Less than one year	$8,216,281	$7,484,445
Between one and five years	11,806,868	18,007,672
More than five years	–	–
	$20,023,149	$25,492,117

Lease expense recognized during 2015 was $7,346,719 (2014 – $7,695,633). This amount consists of minimum lease payments. A small portion of the OSC's office space is subleased to the CSA IT Systems Project Office (CSA ITSO) and the IEF until March 31, 2015. Prior to March 31, 2015, the OSC entered into an additional lease agreement that was consolidated with the master premises lease for office space at 20 Queen Street West. The additional leased premises will be subleased to the CSA ITSO and another entity on a full cost-recovery basis beginning in fiscal 2016, with sublease payments of $657,104 expected to be received during fiscal 2016.

The lease on OSC premises began August 30, 2012 for a term of five years, expiring on August 31, 2017. The OSC has two consecutive options to extend the term beyond August 31, 2017, each for a period of five years. The OSC expects to exercise the first option. The OSC's operating lease agreements do not contain any contingent rent clauses.

12. Pension plans

(a) Ontario Public Service Pension Plan

All eligible OSC employees must, and members may, participate in the OPSPP.
The OSC's contribution to the OPSPP for the year ended March 31, 2015 was $4,533,161 (2014 – $4,565,594), which is included under Salaries and benefits in the Statement of comprehensive income. The expected contributions for the plan for fiscal 2016 are $4,803,316.

Information on the level of participation of the OSC in the multi-employer OPSPP compared with other participating entities is not available.

(b) Supplemental pension plans

The OSC also has unfunded supplemental defined benefit pension plans for its current and former Chairs and Vice-Chairs. These supplemental pension plans have no plan assets.

The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method prorated on services and management's best estimate assumptions. The supplemental defined benefit pension plans are non-registered plans. The benefit payments are made by the OSC as they become due.

The OSC is responsible for governance of these plans. The OSC Board's Audit and Finance Committee and Human Resources and Compensation Committee assist in the management of the plans. The OSC has also appointed experienced, independent professional actuarial experts to provide a valuation of the pension obligation for the supplemental plans in accordance with the standards of practice established by the Canadian Institute of Actuaries.

Under the projected benefit method, the Pension liabilities are the actuarial present value of benefits accrued in respect of service prior to the valuation date, based on projected final average earnings. The current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. The current service cost, expressed as a percentage of pensionable earnings, will be stable over time if the demographic characteristics of the active membership remain stable from valuation to valuation. However, all other things being equal, the current service cost of an active membership whose average age rises between actuarial valuations will result in an increasing current service cost.

The supplemental pension plans expose the OSC to the following risks:

- Changes in bond yields – a decrease in corporate bond yields will increase the plans' liabilities.
- Inflation risk – in plans where the target benefit is not indexed, given the pension offset amounts are linked to inflation, higher inflation will lead to lower liabilities. Conversely, for plans where the target benefits are linked to inflation, the OSC's liability increases when inflation increases.
- Life expectancy – the majority of the obligations are to provide benefits for the life of the members. Therefore, increases in life expectancy will result in an increase in the plans' liabilities.

There were no plan amendments, curtailments or settlements during the period. The duration of all plans combined is approximately 12.0 years (2014 – 11.4 years).

	March 31, 2015	March 31, 2014
Defined benefit obligation, beginning of year	$3,118,630	$2,731,527
Current service cost	137,153	147,095
Interest cost	124,868	99,622
Benefit payments	(146,038)	(149,871)
Plan amendment	–	–
Actuarial loss on obligation	326,189	290,257
Defined benefit obligation, end of year	**$3,560,802**	$3,118,630

Actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation were as follows:

	March 31, 2015	March 31, 2014
Discount rate(s)	3.40%	4.10%
Inflation	2.25%	2.50%
Expected rate(s) of salary increase	0%	0%
CPP YMPE increase	2.75%	3.00%
Increase in CRA limit	$2,818.9	$2,770.0

The assumptions for mortality rates are based on the 2014 Public Sector Mortality Table (CPM2014Publ), with a size adjustment factor for monthly income of $6,000 and more, and with fully generational projections using the improvement scale CPM-B.

Sensitivity analysis

Changes in the actuarial assumptions used have a significant impact on the defined benefit obligation.

The following is an estimate of the sensitivity of the defined benefit obligation to a change in the significant actuarial assumptions (the sensitivity assumes all other assumptions are held constant):

	March 31, 2015	March 31, 2014
Discount rate increased by 0.5% (obligation will decrease by)	5.5%	5.4%
Discount rate decreased by 0.5% (obligation will increase by)	6.1%	5.9%
Life expectancy increased by 1 year (obligation will increase by)	2.7%	2.3%
Life expectancy decreased by 1 year (obligation will decrease by)	2.8%	2.4%
Inflation rate increased by 0.5% (obligation will decrease by)	2.4%	2.6%
Inflation rate decreased by 0.5% (obligation will increase by)	2.9%	3.0%

The OSC's pension expense relating to the supplemental pension plans for the year ended March 31, 2015 was $262,021 (2014 – $246,717). The OSC expects to incur $215,000 in benefit payments relating to the supplemental pension plan during the next fiscal year.

13. Capital management

The OSC has established a $20.0 million reserve fund, as described in **Note 8**, which it considers as capital. The primary objective of maintaining this capital is to fund OSC's operations in the event of revenue shortfalls and unanticipated expenditures, or to cover the discrepancy between timing of revenue and expenses. The OSC's overall strategy remains unchanged from 2014.

The OSC maintains an investment policy where Reserve fund assets are restricted to direct and guaranteed obligations of the Government of Canada and its provinces, and to instruments issued by Canadian Schedule 1 banks to protect the principal.

The OSC has a $52.0 million credit facility with a Schedule 1 financial institution to address any short-term cash deficiencies. The current credit facility will require renewed approval from the Ministry of Finance prior to June 30, 2016 for a subsequent two-year term.

The OSC is not subject to any externally imposed capital requirements.

14. Fees

The OSC's fee structure is designed to generate fees that recover the OSC's cost of providing services to market participants. The fee structure is based on the concept of "participation fees" and "activity fees". Participation fees are based on the cost of a broad range of regulatory services that cannot be practically or easily attributed to individual activities or entities, and are intended to serve as a proxy for the market participants' use of the Ontario capital markets.

Activity fees represent the direct cost of OSC staff resources expended in undertaking certain activities requested of staff by market participants.

Late fees represent fees applied to market participants for not filing required documents and/or paying their participation and activity fees on time.

Any general operating surpluses generated are normally returned to market participants through lower fees than otherwise required to recover costs or direct refunds.

The Commission revised its participation fees and activity fees through fee rule amendments that became effective April 1, 2013. Some fees were subsequently adjusted at the beginning of fiscal 2015. The current fee rule amendments came into effect on April 6, 2015.

Fees received are as follows:

	March 31, 2015	March 31, 2014
Participation fees	$88,423,432	$83,267,321
Activity fees	13,110,801	13,208,161
Late filing fees	2,121,636	1,965,794
	$103,655,869	$98,441,276

15. Salaries and benefits

	March 31, 2015	March 31, 2014
Salaries	$63,853,257	$62,042,890
Benefits	7,083,761	6,736,097
Pension expense	4,795,182	4,786,283
Severance/termination payments	498,378	905,917
	$76,230,578	$74,471,187

16. Administrative

	March 31, 2015	March 31, 2014
Commission expense	$1,915,710	$1,872,675
Communications & publications	1,477,687	1,725,924
Maintenance & support	2,267,653	2,043,621
Supplies	743,307	802,870
Other expenses	1,078,123	674,019
Training	534,492	641,685
	$8,016,972	$7,760,794

17. Contingent liabilities and contractual commitments

(a) The OSC has committed to paying in full any liability with respect to CSA Systems operations and custody of the related surplus funds that arises as a result of wilful neglect or wilful misconduct on behalf of the OSC.

Under the agreements described in **Note 7**, the OSC, ASC, BCSC and AMF, as PAs, have committed to paying an equal share of any claim or expenses related to operation and redevelopment of the CSA Systems that exceed the surplus funds held.

In 2015, there were no such claims or expenses. As described in **Note 7**, the OSC, in its capacity as DPA, is holding funds in segregated bank and investment accounts that may be used to settle claims and expenses relating to the operation and redevelopment of the CSA Systems.

(b) The OSC is involved in various legal actions arising from the ordinary course and conduct of business. The outcome and ultimate disposition of these actions cannot be measured with sufficient reliability at this time. However, management does not expect the outcome of any such proceedings, individually or in aggregate, to have a material impact on the OSC's financial position. Any settlements concerning these contingencies will be accounted for in the period in which the settlement occurs.

18. Related party transactions

(a) Net assets held for CSA Systems operations and redevelopment

In the course of normal operations, the OSC entered into transactions with the Net assets held for CSA Systems operations and redevelopment. For more information, see **Note 7**.

(b) IEF

In the course of normal operations and as part of the March 31, 2015 dissolution, the OSC entered into transactions with the IEF. For more information, see **Note 19**.

(c) The Province of Ontario

In the course of normal operations, the OSC entered into the following transactions with the Province of Ontario:

(i) The Securities Act (Ontario) states that when ordered to do so by the responsible Minister, the OSC shall remit to the Province of Ontario such surplus funds as determined by the Minister. In light of the fee model as described in **Note 14** and the OSC's practice of setting fees periodically, the OSC is not required to make remittances of its surplus to the Consolidated Revenue Fund. Surpluses retained by the OSC are subject to appropriate terms and conditions to be agreed with the Ministry.

(ii) Costs of non-pension benefits for eligible pensioners are paid by the Government of Ontario and are not included in the Statement of comprehensive income.

(d) Compensation to key management personnel

The OSC's key management personnel are the members of the Board of Directors, Chair, Vice-Chairs and Executive Director.

The remuneration of key management personnel includes the following expenses:

	March 31, 2015	March 31, 2014
Short-term employee benefits	$3,749,157	$3,683,102
Post-employment benefits	508,650	302,740
Termination benefits	–	–
Total compensation	**$4,257,807**	$3,985,842

19. Investor Education Fund

The IEF was incorporated by letters patent of Ontario dated August 3, 2000 as a non-profit corporation without share capital. The IEF was managed by a separate Board of Directors and its purpose was to increase knowledge and awareness among investors and potential investors, and to support the research and development of programs and partnerships that promoted investor and financial education in schools and among adult learners.

The OSC was the sole voting member of the IEF. However, the OSC had determined, based on an evaluation of the terms and conditions of the arrangement, that investors in the capital market, rather than the OSC, obtained the benefit or rewards from the activities of the IEF. As such, the OSC did not control the IEF, and the IEF had not been consolidated in the OSC's financial statements as discussed in **Note 2(d)**. The IEF was exempt from income taxes.

During the year, the OSC entered into transactions with the IEF as follows:

(i) The OSC paid $2,070,000 to the IEF during the year (2014 – $3,295,000), plus accrued $48,675 to address the amount of shortfall from the IEF's dissolution as noted below. These payments were issued from the Funds held pursuant to designated settlements and orders as described in **Note 6**.

(ii) The OSC had a Management Services agreement with the IEF for the provision of administrative and management services, at cost. For the period ended March 31, 2015, the OSC incurred costs totalling $1,044,822 (2014 – $1,088,307) for services related to the IEF. The total cost of these services has been charged to the IEF and, of this amount, nil ($0) was owing to the OSC at March 31, 2015 (2014 – $330,018).

(iii)On March 31, 2015 financial assets and liabilities were transferred to the OSC as part of the IEF dissolution at their fair values. These financial assets and liabilities are listed below, with the net liability of $48,675 being settled through the Funds held pursuant to designated settlements and orders.

Certain program and website content previously held by IEF were also transferred to the OSC. A portion of the content will be spun off to an unrelated third party at no charge ($0). The remaining content will continue to be supported by the OSC and made publicly available through the OSC website. Since this remaining program and website content is not being made available for the purpose of deriving a future economic benefit for the OSC it has been transferred at an exchange value of nil ($0).

Transferred to the Funds held pursuant to designated settlements and orders:

Asset/liability	**Type**	**Exchange value**
Cash	Financial asset	$60,548
Accounts receivable	Financial asset	114,379
Accrued liabilities	Financial liability	(223,602)
Total		**$(48,675)**

20. Accounting pronouncements

Effective in the year

A new IFRS interpretation, issued by the International Accounting Standards Board (IASB), effective for the first time for periods beginning on (or after) April 1, 2014, has been adopted in these financial statements.

IFRIC 21, Levies

In May 2013, the IFRS Interpretation Committee issued IFRIC 21, *Levies*. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The adoption of IFRIC 21 did not have an impact on the financial statements of the OSC.

New and revised in issue, but not yet effective

The following new IFRS standards, interpretations and amendments, which have been issued but are not yet effective for the year ended March 31, 2015, have not been applied in preparing these financial statements. These pronouncements are currently under consideration or have been determined not to have a material impact on the financial statements of the OSC.

IFRS 9, Financial Instruments

In July 2014, the IASB issued a finalized version of IFRS 9, *Financial Instruments*. The completed version of IFRS 9 provides revised guidance on the classification and measurement of financial assets, and incorporates the final hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. IFRS 9 is not expected to have a material impact on the OSC financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. This standard replaces all existing IFRS revenue requirements and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. This standard is effective for annual periods beginning on or after January 1, 2017. OSC is currently assessing the impact on the OSC financial statements.

IAS 1, Presentation of financial statements

In December 2014, the IASB, as part of its Disclosure Initiative, published amendments to IAS 1, *Presentation of financial statements*, which are aimed at improving the effectiveness of disclosure. Specifically, the amendment clarifies that information should not be obscured by providing immaterial information. The amendments introduce new requirements when an entity presents subtotals in primary statements. The amendments also clarify that entities have flexibility on the order in which notes are presented and emphasize that understandability and comparability should be considered when determining the order. The amendments will be effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted. OSC is currently assessing the impact on the OSC financial statements.

IAS 19, Employee benefits

In September 2014, the IASB issued *Annual Improvements to IFRSs 2012-2014 Cycle*. These included several non-urgent amendments that were necessary. The amendments clarify the regional market issue for estimating the discount rate. Specifically, high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. IAS 19 (2014) is effective for annual periods beginning on or after January 1, 2016. OSC is currently assessing the impact on the OSC financial statements.

Ontario Tourism Marketing Partnership Corporation

Management Report

The accompanying financial statements are the responsibility of the management of the Ontario Tourism Marketing Partnership Corporation. The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. The statements include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by BDO Canada LLP, a firm of independent external auditors appointed by the Board of Directors, whose report follows.

Ronald Holgerson
President and CEO
May 26, 2015

Lidia Maleckyj
Treasurer
May 26, 2015

BDO

Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Board of Directors of
Ontario Tourism Marketing Partnership Corporation

We have audited the accompanying financial statements of Ontario Tourism Marketing Partnership Corporation, which comprise the statement of financial position as at March 31, 2015 and the statement of operations, statement of changes in net assets, and statement of cash flows for the year ended March 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Tourism Marketing Partnership Corporation as at March 31, 2015, and the results of its operations and its cash flows for the year ended March 31, 2015 in accordance with Canadian Public Sector Accounting Standards.

BDO CANADA LLP
Chartered Professional Accountants, Licensed Public Accountants

Mississauga, Ontario
May 26, 2015

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Financial Position

	March 31 2019 ($ 000)	March 31 2018 ($ 000)
ASSETS		
Current		
Cash	12,238	10,780
Accounts receivable	1,402	1,290
Due from the Province of Ontario	7,188	4,229
Prepaid expenses	17	38
	20,845	16,337
Capital assets (Note 3)	8,162	1,320
	29,007	17,657
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	7,294	3,709
Deferred revenue (Note 4)	6,617	947
	13,911	4,656
Obligation for employee future benefits	1,891	1,876
Deferred capital contributions (Note 3)	796	278
	2,687	2,154
	16,598	6,810
Net assets		
Unrestricted fund	197	-
Special projects fund (Note 2)	4,846	9,805
Investment in capital assets	7,366	1,042
	12,409	10,847
	29,007	17,657

Approved on behalf of the Board

The accompanying notes are an integral part of these financial statements.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Operations

For the year ended March 31	2015 ($ 000)	2014 ($ 000)
Revenues		
Province of Ontario Grant (Note 6)	47,479	44,297
Advertising sales	2,023	2,561
Travel Information Centres - Sales and rentals	706	697
Interest income	144	110
Trade promotions	128	108
Amortization of deferred contribution	241	274
Marketing research and other revenue	-	84
	50,721	48,131
Expenses		
Advertising and marketing	29,028	26,488
Partnerships and sales	624	851
Travel Information Centres (Note 7)	5,312	5,368
Administration (Note 8)	7,564	7,062
Tourism consumer information system	3,511	2,640
Events marketing program	1,987	2,018
Research	742	667
Amortization of capital assets	1,130	1,319
Board and committee expenses (Note 9)	21	64
	49,919	46,477
Excess of revenues over expenses	802	1,654

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Changes in Net Assets

	Unrestricted Fund ($ 000)	Special Projects Fund ($ 000)	Investment in Capital Asset ($ 000)	2015 Total ($ 000)	2014 Total ($ 000)
Net assets, beginning of the year	-	**9,805**	**1,042**	**10,847**	10,319
Excess (deficiency) of revenues over expenditures for the year	**1,691**	-	**(889)**	**802**	1,654
Interest income	**(144)**	**144**	-	-	73
Reserve for TCIS redevelopment project	**(1,400)**	**1,400**	-	-	-
TCIS redevelopment expenses (Note 2i)	-	**(838)**	-	**(838)**	(1,199)
Purchase of capital assets, net	-	**(4,195)**	**4,195**	-	-
Net assets, end of year	**147**	**6,316**	**4,348**	**10,811**	10,847

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Statement of Cash Flows

For the year ended March 31	2015 ($ 000)	2014 ($ 000)
OPERATING		
Excess of revenues over expenses	802	1,654
Add (less) non-cash items:		
Amortization of deferred capital contributions	(241)	(274)
Amortization of capital assets	1,130	1,319
Obligation for employee future benefits	(285)	66
	1,406	2,765
Interest Income – Special Project Fund	-	73
TCIS Redevelopment Expenses – Special Project Fund	(838)	(1,199)
Change in non-cash working capital	5,077	(4,325)
	5,645	(2,686)
INVESTING		
Sales of short-term investments	-	12,000
CAPITAL		
Capital asset additions	(4,952)	(603)
Deferred capital contributions	757	-
	(4,195)	(603)
Increase in cash during the year	1,450	8,711
Cash, beginning of year	10,780	2,069
Cash, end of year	12,230	10,780

The accompanying notes are an integral part of these financial statements

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2015

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1. NATURE OF CORPORATION

The Ontario Tourism Marketing Partnership Corporation (OTMPC) was established as a corporation without share capital on November 30, 1998 pursuant to Ontario Regulation 618/98 made under the *Development Corporations Act*. The Regulation was amended by Ontario Regulation 271/04 in September, 2004 to extend the mandate of the Corporation indefinitely. The Corporation commenced active operations on April 1, 1999. The objects of the Ontario Tourism Marketing Partnership Corporation are:

(a) to market Ontario as a travel destination;
(b) to undertake joint marketing initiatives with the tourism industry;
(c) to support and assist the marketing efforts of the tourism industry; and
(d) in co-operation with the tourism industry, the Government of Ontario, other governments and other agencies of governments, to promote Ontario as a travel destination.

The Corporation enters into agreements with private and public sector partners in order to add value to tourism marketing programs. The Corporation tracks the dollar value (leverage, in-kind) of such agreements to demonstrate the impact of the Corporation's investment on the partnered marketing programs. However, related partner revenues and expenses are not included in the Corporation's financial statements.

The Corporation is a not-for-profit organization, and thus not subject to income tax.

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2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements are the representations of management and are prepared in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations including the 4200 series of standards contained in the Chartered Professional Accountants (CPA) handbook.

(b) Revenue Recognition

The Corporation follows the deferral method of accounting for revenues.

Province of Ontario Grant

The Corporation is funded primarily by the Province of Ontario. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in a subsequent period.

Advertising Sales and Travel Information Centers – Sales and rentals

Revenue from Advertising sales and Travel Information Centres – Sales and rentals is recognized in the period in which the service is provided or the program is run, the amount can be reasonably estimated and collection is reasonably assured.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2015

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Income

Interest income is recognized in the period in which it is earned.

Other

Other revenue items are recognized in the period in which they relate, when the amount can be reasonably estimated and collection is reasonably assured.

(c) Partner Support

The Corporation benefits from donated services provided by the tourism industry, such as transportation costs (airline and bus tickets), and accommodation and meal costs (discounted or free hotel rooms and restaurant charges). Because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

(d) Short-term Investments

Short-term investments held from time to time consist of Guaranteed Investment Certificates with an initial maturity date of more than 3 months but a maturity date of less than 12 months at the statement of financial position date. At March 31, 2015 there were no short-term investments.

(e) Inventory

Inventory held from time to time is comprised of merchandise available for sale at the Travel Information Centres.

Inventory is stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

(f) Capital Assets

All capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful life of the asset, with half a year amortization taken in the year of acquisition and disposition. All capital assets are amortized over three to five years.

Assets in progress represent assets under construction or development. These assets are not amortized until they are put in use.

(g) Deferred Capital Contributions

Deferred capital contributions represent amounts received from Ministry of Tourism and Culture and Sport to finance the acquisition of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the related assets.

(h) Investment in Capital Assets

Investment in capital assets represents funds provided for capital assets. The financing of investment in capital assets is transferred from operations on an annual basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Special Projects Fund

The Board approved the creation of a internally restricted Special Projects Fund to provide for longer term special projects. At this time $6,316,000 (2014 - $9,805,000) is being held for the Tourism Consumer Information System redevelopment project. Work on this project commenced in the summer of 2013 (Note 10a). During the year, the Board approved $838,000 (2014 - $1,199,000) of redevelopment costs to be charged directly to the fund. Interest earned on these funds is being added to the fund.

(j) Use of Estimates

The preparation of financial statements in accordance with Canadian Public Sector Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

(k) Financial Instruments

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency, liquidity or credit risks arising from these financial instruments.

Financial Instruments are recorded at cost when acquired or issued. In subsequent periods, investments traded in an active market are reported at fair value. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

(l) Employee Future Benefits

The costs of any legislated severance under *the Public Service Act of Ontario* and earned by employees are recognized when earned by eligible employees. During the year, the obligation was reduced by $285,000 (2014 – increased by $66,000). The liability calculated using the projected benefit method and the following assumptions approximates $1,591,000 (2014 - $1,876,000). The assumptions used for wage and salary escalation was 1.94% (2014 – 1.89%), the discount factor used was 0.79 (2014 – 0.79) and the estimated average years to retirement was 12.32 years (2014 – 11.70 years).

(m) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows;

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2015

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3. CAPITAL ASSETS

	2015 ($ 000)		2014 ($ 000)	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Furniture	**396**	**378**	396	364
Leasehold improvements	**2,434**	**1,697**	1,677	1,599
Tourism consumer information system	**10,678**	**6,291**	5,880	5,273
Assets in progress	**-**	**-**	603	-
	13,508	**8,366**	8,556	7,236
Cost less accumulated amortization		**5,142**		1,320

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4. DEFERRED REVENUE

	2015 **($ 000)**	2014 ($ 000)
Ministry of Tourism, Culture and Sport		
OTICS – Capital assets	**71**	895
Pan/Parapan American Games Secretariat *	**5,251**	-
Advertising programs	**95**	52
	5,417	947

* During the year, a Letter of Expectation was signed with the Ministry of Tourism, Culture and Sport by the Corporation for the delivery of the 2015 Pan/Parapan American Games Celebration Zone. The delivery of this program will cost up to $9,684,000 and is being funded over two fiscal years. During the year, $5,454,000 was received, $203,000 was spent and the remainder was deferred.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2015

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received relating to acquisition of capital assets:

	2015 ($ 000)		2014 ($ 000)	
	Contributions	**Accumulated Amortization**	Contributions	Accumulated Amortization
Contributions received	**1,688**	**894**	931	653
Contributions less accumulated amortization		**794**		278

6. REVENUE: PROVINCE OF ONTARIO

The Corporation received funding that is recognized as revenue from the Province as follows:

	2015 ($ 000)	2014 ($ 000)
Core funding	**39,868**	40,118
PanAm/Parapan American Games-Celebration Zone (Note 4)	**203**	-
Media Buys	**7,186**	3,961
Ontario Travel Centres Capital	**100**	93
Summer Experience Program	**122**	125
	47,479	44,297

7. TRAVEL INFORMATION CENTRES

The expenditures for the Travel Information Centres are as follows:

	2015 ($ 000)	2014 ($ 000)
Salaries and benefits	**2,983**	3,042
Accommodation	**1,292**	1,302
Services	**407**	413
Transportation and communications	**152**	113
Supplies and equipment	**56**	75
Merchandise for sale	**422**	423
	5,312	5,368

Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of $177,000 (2014 - $185,000).

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2015

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8. ADMINISTRATIVE EXPENSES

Certain costs of administration such as legal and human resources support services were provided by the Ministry of Tourism, Culture and Sport without charge. All other administrative expenses are borne by the Corporation and are as follows:

	2015 ($ 000)	2014 ($ 000)
Salaries and benefits	**6,411**	6,090
Services	**981**	785
Transportation and communications	**137**	160
Supplies and equipment	**25**	27
	7,554	7,062

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province. These plans are accounted for as defined contribution plans, as the Corporation has insufficient information to apply defined benefit plan accounting to these pension plans. Included in salaries and benefits are contributions to the PSPF and OPSEU pension funds for the year of $427,000 (2014 – $419,000).

Costs of post-retirement non-pension employee benefits are paid by the Management Board Secretariat and are not included in administrative expenses.

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9. BOARD AND COMMITTEE EXPENSES

Board and committee members are reimbursed for travel expenses incurred to attend board of directors and related committee meetings. Board and committee members do not receive per diems to attend board and committee meetings.

ONTARIO TOURISM MARKETING PARTNERSHIP CORPORATION

Notes to Financial Statements

March 31, 2015

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10. TOURISM CONSUMER INFORMATION SYSTEM REDEVELOPMENT AND COMMITMENTS

a) After a competitive procurement process in 2013, Hewlett Packard has been awarded a five year contract as the service provider for hosting, operations, maintenance and redevelopment of the Tourism Consumer Information System. Total committed amount to Hewlett Packard as at March 31, 2015 is $25,174,000. During the year $7,716,000 was paid out for a total payment of $11,223,000 against the contract. The estimated payments for the next three years are as follows:

	($ 000)
2016	7,347
2017	3,628
2018	2,976

b) During the year, total costs incurred for the Tourism Consumer Information System amounted to $8,544,000 (2014 - $4,442,000) of which $838,000 (2014 - $1,199,000) was charged directly to the Special Projects Fund (Note 2i) and $4,195,000 (2014 - $603,000) was capitalized to the Investment in Capital Assets. The remaining $3,511,000 (2014 - $2,640,000) is recorded in the statement of operations.

c) The Corporation has various operating leases for its premises and advertising. The minimum annual payments for the next five years and thereafter are as follows:

	($ 000)
2016	1,019
2017	1,019
2018	1,019
2019	589
2020	445

Ontario Trillium Foundation

Management's Responsibility For Financial Information

The accompanying financial statements of the Ontario Trillium Foundation are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Finance & Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the foundation, and at least annually to review the audited financial statements and the external auditors' report thereon.

The financial statements have been examined by KPMG LLP, independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of the auditors' examination and opinion.

APashley.

Andrea Cohen Barrack
Chief Executive Officer

Anne Pashley
Vice-President,
Finance and Administration

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Ontario Trillium Foundation

We have audited the accompanying financial statements of Ontario Trillium Foundation, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Trillium Foundation as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 11, 2015
Toronto, Canada

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("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

ONTARIO TRILLIUM FOUNDATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

Assets

	2015	2014
Cash	$ 1,038,447	$ 1,487,804
Accounts receivable and other	528,858	582,753
Investments (note 2)	134,307,867	158,027,088
Capital assets (note 3)	1,337,087	1,388,123
	$ 137,212,259	$ 161,485,768

Liabilities and Net Assets

	2015	2014
Liabilities:		
Accounts payable and accrued liabilities	$ 2,094,498	$ 2,459,199
Deferred contributions (note 4(a))	7,408,798	7,267,527
Grants payable (note 4(b))	125,335,001	149,387,000
	134,838,297	159,113,726
Net assets:		
Invested in capital assets	1,337,087	1,388,123
Unrestricted	1,036,875	983,919
	2,373,962	2,372,042
Commitments (note 6)		
	$ 137,212,259	$ 161,485,768

See accompanying notes to financial statements.

On behalf of the Board:

Dev Sainani, Chair

Frank Pasquale, Treasurer

ONTARIO TRILLIUM FOUNDATION

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Ontario government funding (note 4(a))	$ 119,858,728	$ 120,566,057
Grants rescinded or recovered (note 4(a))	2,572,084	3,739,231
Investment income (note 4(a))	2,318,955	2,346,516
Social investment partnership income (note 5)	–	500,000
	124,749,767	127,151,804
Expenses:		
Program activities:		
Grants pledged (note 4(b))	108,317,000	110,974,300
Grantmaking expenses (note 4(a))	13,476,685	13,101,241
Services to the community (note 7)	483,684	739,240
	122,277,369	124,814,781
Support services (note 4(a))	1,965,324	1,828,480
Amortization of capital assets	507,074	508,543
	124,749,767	127,151,804
Excess of revenue over expenses	$ –	$ –

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2015, with comparative information for 2014

			2015	2014
	Invested in capital assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 1,588,123	$ 983,919	$ 2,572,042	$ 2,572,042
Excess (deficiency) of revenue over expenses	(507,074)	507,074	–	–
Purchase of capital assets	456,018	(456,018)	–	–
Net assets, end of year	$ 1,537,067	$ 1,034,975	$ 2,572,042	$ 2,572,042

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Amortization of capital assets which does not involve cash	$ 507,074	$ 508,543
Change in non-cash operating items	(4,220,362)	(1,477,889)
	(3,713,288)	(969,346)
Capital activities:		
Net purchase of capital assets	(456,018)	(220,414)
Investing activities:		
Purchase of investments	(793,099,405)	(1,015,416,766)
Disposal of investments	796,819,554	1,017,039,102
	3,720,149	1,622,336
Increase (decrease) in cash	(449,157)	432,576
Cash, beginning of year	1,487,604	1,055,028
Cash, end of year	$ 1,038,447	$ 1,487,604

See accompanying notes to financial statements.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements

Year ended March 31, 2015

Ontario Trillium Foundation (the "Foundation" or "OTF"), an agency of the Ministry of Tourism, Culture and Sport ("MTCS"), is financially supported by the Ontario government. OTF began operations as an arm's-length agency of the Ontario government on August 23, 1982 and was incorporated without share capital under the laws of Ontario under letters patent dated November 17, 1982. OTF's purpose is to build healthy and vibrant communities throughout Ontario, by strengthening the capacity of the voluntary sector through investments in community-based initiatives.

Government funding is subject to Memoranda of Understanding that define how the funds must be invested and distributed.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations.

(a) Revenue recognition:

OTF follows the deferral method of accounting for contributions, which include government funding. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Investment income is recorded on the accrual basis.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

As financial instruments are recorded at cost or amortized costs, a statement of remeasurement gains and losses has not been included.

(c) Grants:

Grants are recorded as expenses in the year that the Foundation approves the grant.

(d) Allocation of support services expenses:

The Foundation classifies expenses on the statement of operations by function. The Foundation allocates certain costs by identifying the appropriate basis of allocating and applying that basis consistently each year. The Foundation allocates its support services expenses proportionately on a per capita basis.

(e) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the following periods:

Furniture and fixtures	5 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	Term of lease

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

2. Investments:

	2015	2014
Short-term investments	$ 46,041,528	$ 65,171,406
Bonds	15,447,707	–
Laddered bond portfolio	72,817,702	72,855,680
	$ 134,306,937	$ 138,027,086

All investments, excluding the laddered bond portfolio, are in fixed income securities and mature within the next fourteen months (2014 - eleven months). These investments bear interest from 0.85% to 1.08% (2014 - 0.87% to 1.12%).

In OTF's laddered bond portfolio, all bond investments are in fixed income securities and have maturity dates between six months and three years. These investments bear interest from 1.90% to 4.45% (2014 - 3.15% to 4.50%).

The Ontario Financing Authority acts as OTF's investment manager under an investment management agreement that adheres to OTF's policies and procedures governing risk and also includes additional risk concem measures.

3. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 1,044,409	$ 786,752	$ 257,657	$ 185,707
Computer hardware	1,125,502	885,684	239,818	236,085
Computer software	1,249,445	1,090,851	158,594	143,949
Leasehold improvements	1,414,938	533,940	880,998	1,022,382
	$ 4,834,294	$ 3,297,227	$ 1,537,067	$ 1,588,123

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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4. Deferred contributions and grants payable:

(a) Deferred contributions represent funding received from Ministries that has not yet been pledged as grants or spent on operations. These funds are restricted until grants are approved by the Board of Directors and pledged to third parties or until operating expenditures made. OTF has controls in place to ensure that the restrictions on grant pledges are met prior to utilization of these funds.

				2015	2014
	General operations	Community Capital Fund	Youth Opportunities Fund	Total	Total(i)
Deferred contributions, beginning of year	$ 5,825,148	$ 1,410,270	$ 32,109	$ 7,267,527	$ 7,833,584
Funding received:					
MTCS:					
Annual core allocation	115,000,000	–	–	115,000,000	115,000,000
Ministry of Children and Youth Services	–	–	5,000,000	5,000,000	5,000,000
	115,000,000	–	5,000,000	120,000,000	120,000,000
Investment income recorded as revenue	2,263,278	–	55,677	2,318,955	2,346,516
Grants pledged	(103,800,000)	–	(4,517,000)	(108,317,000)	(110,524,300)
Grantmaking expenses	(12,566,978)	(413,633)	(496,074)	(13,476,685)	(13,051,241)
Support services and amortization	(2,468,508)	–	(3,890)	(2,472,398)	(2,337,023)
Services to the community	(483,684)	–	–	(483,684)	(739,240)
Grants rescinded or recovered	1,722,958	828,126	21,000	2,572,084	3,739,231
Amounts recognized as Ontario government funding	(115,332,934)	414,493	(4,940,287)	(119,858,728)	(120,566,057)
Change during the year	(332,934)	414,493	59,713	141,272	(566,057)
Deferred contributions, end of year	$ 5,492,214	$ 1,824,763	$ 91,822	$ 7,408,799	$ 7,267,527

(i) In addition to the funding received from the Ministry of Children and Youth Services for Youth Opportunities Fund, OTF also recognized $500,000 of social investment partnership income during 2014. Of this amount, $450,000 is included in grants pledged and $50,000 is included in grantmaking expenses as shown on the statement of operations.

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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4. Deferred contributions and grants payable (continued):

Community Capital Fund:

On August 27, 2010, the Foundation signed an agreement with MTCS to administer the Community Capital Fund to provide grants for specific infrastructure projects that support Ontario government priorities and help to revitalize community-based infrastructure by directing funding towards capital assets.

Youth Opportunities Fund:

On November 7, 2013, the Foundation signed an agreement with the Ministry of Children and Youth Services ("MCYS") to administer the Youth Opportunities Fund ("YOF") to provide grants for community-based and positive youth development projects that improve conditions for youth who face multiple barriers to positive outcomes in the Greater Toronto Area.

The total funding to be received from the MCYS is $5,000,000 per year. During 2015, $4,940,287 of this funding was spent, of which $4,517,000 is included in grants pledged.

(b) Once OTF pledges grants for distribution, the grants are recorded as grants payable. Grants pledged and not yet distributed are payable, subject to the receipt of funds by OTF and to certain performance conditions placed on the recipients. The continuity of grants payable is as follows:

	2015	2014
Grants pledged	$ 108,317,000	$ 110,974,300
Grants rescinded	(1,823,600)	(2,981,400)
Grants paid	(110,534,400)	(108,422,400)
	(4,041,000)	(429,500)
Grants payable, beginning of year	129,377,000	129,806,500
Grants payable, end of year	$ 125,336,000	$ 129,377,000

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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4. Deferred contributions and grants payable (continued):

Grants are payable to various organizations in the fiscal years ending March 31 as follows:

2016	$ 78,589,900
2017	33,133,200
2018	10,988,200
2019	2,147,700
2020	477,000
	$ 125,336,000

5. Social investment partnership income:

Social investment partnership income results from the shared resourcing of a program, project or initiative by two or more funders where a co-funder provides the funds to the Foundation for distribution. During 2014, OTF recognized $500,000 from the Gooder Foundation to support the YOF.

On December 19, 2014, the Foundation signed an agreement with Glencore Canada Corporation ("Glencore") for a co-funding partnership to develop the Kidd Operations and Ontario Trillium Foundation Legacy Fund ("Legacy Fund"), to support the capacity of the not-for-profit sector in the Timmins Region after the closure of the Kidd Operations mine. Over the period from December 2014 to no later than December 2023, Glencore will contribute a total of $500,000, to be matched in equal amounts by the Foundation. During 2015, $20,000 was received from Glencore for this purpose.

The Foundation will administer the Legacy Fund, and granting from the Legacy Fund will commence after the official closure of the Kidd Operations mine, and no later than August 2023.

6. Allocation of expenses:

The Foundation allocates certain of its support services expenses based on the proportion of the total staff directly involved with grantmaking and services to the community. The following percentages were used to calculate the allocation: grantmaking, 67% (2014 - 68%) and services to the community, 2% (2014 - 3%).

ONTARIO TRILLIUM FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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6. Allocation of expenses (continued):

Support services reported in the statement of operations of $1,965,324 (2014 - $1,828,480) are reported after allocation of $4,178,377 (2014 - $4,320,857) to grantmaking expenses and $137,628 (2014 - $165,974) to services to the community.

7. Services to the community:

Services to the community are charitable activities other than grants, such as convening, knowledge sharing and technical assistance to community organizations.

8. Commitments:

Future minimum annual rental payments for premises under operating leases are as follows:

2016	$ 1,301,700
2017	1,291,300
2018	1,322,800
2019	1,282,000
2020	1,305,800
Thereafter	2,027,100
	$ 8,530,700

In relation to these leases, OTF has agreed to indemnify the landlord against losses occurring on the lease premises which may arise out of a breach of the lease agreement.

9. Indemnification of officers and directors:

OTF has indemnified its past, present and future directors, officers, employees and volunteers against expenses (including legal expenses), judgments, and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are used as a result of their service, if they acted honestly and in good faith with a view to the best interests of OTF. The nature of the indemnity prevents OTF from reasonably estimating the maximum exposure. OTF has purchased directors' and officers' liability insurance with respect to this indemnification.

ONTARIO TRILLIUM FOUNDATION
Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Financial risks:

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2014.

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, will affect the Foundation's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Foundation to cash flow interest rate risk. The Foundation is exposed to this risk through its investments.

As at March 31, 2015, had prevailing interest rates increased or decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, the estimated impact on the market value of bonds would approximate $1,210,000.

The Foundation's investments are disclosed in note 2.

There has been no change to the interest rate risk exposure from 2014.

June 25, 2015

The accompanying consolidated financial statements of Ornge are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards. The preparation of financial statements necessarily involves the use of estimates and assumptions based on management's judgment that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reporting period. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 25, 2015.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free material misstatement, whether due to fraud or error.

The Board of Directors of Ornge is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board meets periodically with management to satisfy itself that such responsibilities have been fulfilled.

The consolidated financial statements for the year ended March 31, 2015 have been audited by Ernst & Young LLP ("E&Y"). E&Y's responsibility is to express an opinion on whether the consolidated financial statements present fairly, in all material respects, the financial position of Ornge as at March 31, 2015 and the results of its operations and its cash flow for the year then ended in accordance with Canadian public sector accounting standards. The Auditors' Report dated June 25, 2014 outlines the scope of E&Y's examination and opinion on the consolidated financial statements.

On behalf of management,

Andrew L. McCallum, MD FRCPC
Chief Executive Officer

Dan Wright
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Ornge

We have audited the accompanying consolidated financial statements of **Ornge**, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations and changes in net deficiency, changes in remeasurement gains and losses and cash flows for the year then ended March 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Ornge** as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst & Young LLP
Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 25, 2015

ORNGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In thousands of Canadian dollars)
As at March 31

	2019	2018
ASSETS		
Current		
Cash and cash equivalents	$ [illegible]	$ [illegible]
Accounts receivable	[illegible]	[illegible]
Prepaid expenses and deposits	[illegible]	[illegible]
Inventory (note 4)	[illegible]	[illegible]
Assets held for sale (note 6)	[illegible]	-
Derivative financial instruments (note 12)	-	[illegible]
	[illegible]	[illegible]
Restricted cash and cash equivalents (note 3)	[illegible]	[illegible]
Capital assets, net (note 5)	[illegible]	[illegible]
	[illegible]	[illegible]
LIABILITIES AND NET DEFICIENCY		
Current		
Accounts payable and accrued liabilities (note 11 and 12)	[illegible]	[illegible]
Employee future benefits (note 8)	[illegible]	[illegible]
Deferred contributions (note 9)	[illegible]	[illegible]
Derivative financial instruments (note 12)	[illegible]	[illegible]
Current portion of bonds payable (note 11)	[illegible]	[illegible]
	[illegible]	[illegible]
Bonds payable (note 11)	[illegible]	[illegible]
Deferred contributions (note 9)	[illegible]	[illegible]
Deferred contributions related to capital assets (note 10)	[illegible]	[illegible]
	[illegible]	[illegible]
Commitments and contingencies (note 14 and 15)		
NET DEFICIENCY		
Unrestricted net deficiency	([illegible])	([illegible])
Accumulated remeasurement gains and losses	([illegible])	[illegible]
	([illegible])	([illegible])
	[illegible]	[illegible]

See accompanying notes

On behalf of the Board

Ian W. Delaney

Patricia Volker

ORNGE

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET DEFICIENCY

(in thousands of Canadian dollars)

Year ended March 31

		2015		2014
Revenue				
Ontario Ministry of Health and Long-Term Care				
Transport medicine program	$	162,584	$	141,484
Specifically funded programs (note 13)		13,820		13,815
Other income		4,837		4,660
Recognition of deferred contributions related to capital assets (note 10)		128		493
		181,369		160,452
Expenses				
Salaries, employee benefits and other labour related (note 8(b) and 16)		67,181		62,870
Carrier and fleet related		53,673		50,180
Supplies, facilities and other		14,806		12,944
Amortization of capital assets		10,183		11,664
Specifically funded programs (note 13)		13,820		13,815
Loss on capital asset disposal		388		668
Interest		16,010		17,616
Capital asset impairment (note 5)		3,988		3,484
		180,213		173,241
Surplus (deficiency) of revenue over expenses		1,156		(12,789)
Provision for income tax (recovery)		15		(177)
Surplus (deficiency) of revenue over expenses		1,141		(12,612)
Unrestricted net deficiency, beginning of the year		(87,647)		(75,035)
Unrestricted net deficiency, end of the year		(86,506)		(87,647)

See accompanying notes

ORNGE

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES

(in thousands of Canadian dollars)

Year ended March 31

	2015	2014
Accumulated remeasurement gains at beginning of year	$ 237	$ 610
Unrealized gains (losses) attributable to:		
Derivative *(note 12)*	(1,930)	403
Amounts reclassified to the statement of operations:		
Derivative *(note 12)*	713	(354)
Foreign exchange	-	(422)
Net remeasurement losses for the year	(1,217)	(373)
Accumulated remeasurement (losses) and gains at end of year	$ (980)	$ 237

See accompanying notes

ORNGE
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands of Canadian dollars)

Year ended March 31

	2015	2014
Operating activities		
Surplus (deficiency) of revenue over expenses	$ 1,141	$ (12,612)
Add (deduct) items not involving cash		
Amortization - capital assets	10,183	11,664
Amortization - transaction costs	155	153
Recognition of deferred contribution related to capital assets *(note 10)*	(128)	(493)
Loss on capital asset disposal	385	668
Capital asset impairment *(note 5)*	3,985	3,484
Capitalized interest write-off	-	728
	15,721	3,592
Net change in non-cash working capital balances related to operations *(note 17)*	(5,289)	(423)
Net change in restricted cash and cash equivalents	32	119
Cash provided by operating activities	10,464	3,288
Capital activities		
Proceeds from sale of capital assets	692	20,233
Net termination payment for Hamilton lease	-	(600)
Purchase of capital assets	(8,319)	(3,777)
Cash (used in) provided by capital activities	(7,627)	15,856
Financing activities		
Repayment of short term loan	-	(18,941)
Repayment of capital lease obligation	-	(273)
Principal repayment of bond	(7,157)	(6,764)
Receipt of deferred contribution related to capital assets	44	104
Cash used in financing activities	(7,113)	(25,874)
Net decrease in cash and cash equivalents during the year	(4,276)	(6,730)
Cash and cash equivalents, beginning of the year	10,382	17,112
Cash and cash equivalents, end of the year	$ 6,106	$ 10,382

See accompanying notes

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

1. PURPOSE OF THE ORGANIZATION

Ornge together with its consolidated wholly owned subsidiaries [the "Organization"] operate from a number of bases across the province coordinating all aspects of Ontario's aero medical transport system, the critical care land transport program, and the screening of inter-facility transfers of patients within the province. The wholly owned subsidiaries of the Organization are Ornge Issuer Trust [the "Trust"], Ornge Global Air Inc. ["Ornge Air"], 7506406 Canada Inc., Ornge Corporate Services Inc., Ornge Foundation, Ornge Global Real Estate Inc., and Ornge Real Estate Inc.

Ornge was incorporated under the Canada Business Corporations Act and has continued under the Canada Not-for-profit Corporations Act. Ornge is a registered charity under the Income Tax Act (Canada) [the "Act"] and, as such, is exempt from income taxes pursuant to Section 149 of the Act.

On February 12, 2009, the Trust was created as a special purpose entity under the laws of Ontario pursuant to a declaration of trust. The Organization is the sole beneficiary of the Trust. Pursuant to the Act and Income Tax Regulations, the Trust is subject to income taxes. 4495128 Canada Inc. is the bare trustee of the Trust.

Ornge Air is a for-profit entity incorporated under the Canada Business Corporations Act. The entity has provided rotary wing and fixed wing services on behalf of the Organization since 2009. Pursuant to the Act and Income Tax Regulations, Ornge Air is subject to income taxes.

7506406 Canada Inc. is a wholly-owned subsidiary of Ornge Air and holds the operational certificate for rotary wing services in the province of Ontario. Pursuant to the Act and Income Tax Regulations, 7506406 Canada Inc. is subject to income taxes.

Ornge Corporate Services Inc. is a for-profit entity incorporated under the Ontario Business Corporations Act. The entity is currently inactive.

Ornge Foundation is a registered charity, currently inactive.

Ornge Global Real Estate Inc. ["OGRE"] is a for-profit entity incorporated under the Ontario Business Corporations Act. The entity is the registered owner of the head office building of the Organization. Pursuant to the Act and Income Tax Regulations, OGRE is subject to income taxes.

Ornge Real Estate Inc. ["ORE"] is a for-profit entity incorporated under the Ontario Business Corporations Act. The entity leases the head office building from OGRE and subleases to Ornge. Pursuant to the Act and Income Tax Regulations, ORE is subject to income taxes.

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

The Organization is funded primarily by the Province of Ontario in accordance with a Performance Agreement established by the Ministry of Health and Long-Term Care ("MOHLTC"). This Agreement sets out the rights and obligations of the two parties in respect of funding provided by MOHLTC. It also sets out certain performance standards and obligations that establish acceptable results for the Organization's performance in a number of areas.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with the Chartered Professional Accountants of Canada Public Sector Handbook which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Organization has chosen to use the standards for not-for-profit organizations that include PS 4200 to PS 4270. The consolidated financial statements have been prepared based on the significant accounting policies summarized below:

[a] Adoption of new accounting standards

These consolidated financial statements are the first financial statements for which the Organization has applied Canadian Public Sector Accounting Standards PS 3260 Liability for contaminated sites. This section establishes standards on how to account for and report a liability associated with the remediation of a contaminated site. The adoption of this standard on April 1st, 2015 did not have a material impact on the consolidated financial statements of the Organization.

[b] Basis of consolidation

All controlled not-for-profit and for-profit entities are consolidated into the Organization. The consolidated financial statements include the assets, liabilities and activities of the wholly-owned subsidiaries *[note 1]*. Transactions and balances between the entities have been eliminated in arriving at the consolidated financial statements.

[c] Cash and cash equivalents

Cash and cash equivalents include cash on deposit and investments in highly liquid securities that are readily convertible to known amounts of cash with an original term to maturity of less than 90 days.

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

[d] Financial instruments other than derivatives

Financial instruments are classified in one of the following categories [i] fair value or [ii] amortized cost. The entity determines the classification of its financial instruments at initial recognition.

Asset/liability	Measurement category
Cash and cash equivalents	Fair value
Restricted cash and cash equivalents	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Bonds payable	Amortized cost

Financial instruments that are measured at amortized cost are accounted for using the effective interest rate method. These amounts are initially recorded at their fair value and subsequently measured at amortized cost. Transaction costs related to financial instruments carried at fair value are expensed as incurred. Transaction costs related to items in the amortized cost category are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest rate method.

Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. The Organization's fair values are management's estimates and are generally determined using market conditions at a specific point in time. The determinations are subjective in nature, involving uncertainties and the exercise of significant judgment.

[e] Inventory

The Organization's inventory includes medical supplies and aviation-related parts. They are both consumed in the normal course of operations and are not intended for sale. Medical supplies and aviation parts are valued at the lower of cost and replacement cost.

[f] Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis, taking into consideration estimated residual value, over their estimated useful lives:

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

Buildings	10 - 40 years
Equipment and vehicles	3 - 5 years
Computer equipment and software	3 years
Aircraft airframes	10 - 30 years
Aircraft engines	10 - 20 years
Avionics	5 - 10 years
Rotables	10 - 30 years
Leasehold improvements	Term of lease

Assets under construction are composed of progress payments for assets being built on behalf of the Organization. Amortization is not recorded until construction is substantially complete and the assets are ready for their intended use.

When an asset is retired or abandoned, the book value and accumulated amortization of the asset are removed from the asset accounts. Any losses incurred on retirement or abandonment are recorded as an expense in the year of retirement or abandonment.

When a capital asset no longer has any long-term service potential to the Organization, the excess of its net carrying amount over any residual value is recognized as an expense in the consolidated statement of operations and changes in net deficiency.

Assets are classified as held for sale when all the criteria in PS 1201.055 are met. The Organization measures the assets held for sale at the lower of their carrying amount and fair value less costs to sell. The gains or losses are recorded in the consolidated statement of operations and changes in net deficiency.

[g] Interest capitalized

Interest on funds used to finance the acquisition of capital assets is capitalized for periods preceding the dates that the assets are available for service. Interest attributed to progress payments and related exchange movements on foreign currency amounts, made on account of aircraft and other significant assets under construction are capitalized and added to the cost of the related asset.

[h] Maintenance and repairs

The Organization has entered into a Power by Hour ["PBH"] contract for the maintenance of fixed wing engines. Maintenance costs are expensed based on the contractual hourly rate, multiplied by actual flight hours.

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

The Organization has also entered into a multi-year PBH contract for the maintenance of avionic parts. Under this plan, an annual fixed amount is required and expensed by the Organization for the fixed wing aircraft. For the rotary wing aircraft, maintenance costs are expensed based on contractual hourly rates, multiplied by actual flight hours, subject to a minimum number of required hours.

Other maintenance costs that are not covered by the PBH contracts are expensed as incurred.

[i] Derivative financial instruments

From time to time, the Organization enters into fuel hedging contracts to manage its commodity price exposures for planning and risk management purposes. The Organization does not utilize derivative financial instruments for trading or speculative purposes. These derivatives are recognized on the consolidated statement of financial position at their fair value with changes in the fair value recognized as derivative loss (gain) in the consolidated statement of remeasurement gains and losses. Fair value estimates are made at a specific point in time, based on relevant market information about the financial instruments.

In the reporting period that these derivatives are derecognized, the accumulated remeasurement gains or loss associated with the derivatives are reversed and reclassified to the consolidated statement of operations and changes in net deficiency.

[j] Revenue recognition

The Organization follows the deferral method of accounting for contributions. The majority of the Organization's revenue is received from the Government of Ontario under the terms of its service contract with the Organization.

Unrestricted contributions are recognized as revenue when received or receivable provided the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are incurred.

Unrestricted donations are recognized as revenue when received; and restricted donations are recognized as revenue in the year in which the related expenses are incurred.

Other income includes organ transfers and billings for uninsured services, which are recognized as revenue when services are provided and when amounts can be reasonably estimated and collection is reasonably assured.

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

[k] Foreign currency translation

The monetary assets and liabilities of the Organization denominated in foreign currencies are translated into Canadian dollars at the rates of exchange as at the consolidated statement of financial position date. Revenue and expenses are translated at the monthly average exchange rate.

Exchange gains or losses that arise prior to the settlement are recognized in the consolidated statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses are reversed in the consolidated statement of remeasurement gains and losses and the exchange gains or losses measured in relation to the exchange rate at the date of the item's initial recognition are recognized in the consolidated statement of operations and changes in net deficiency.

[l] Employee pension plans

Certain full-time employees of the Organization are members of the Hospitals of Ontario Pension Plan ["HOOPP" or the "Plan"], which is a multi-employer defined benefit pension plan. Defined contribution accounting is applied to the Plan, following the standards for multi-employer plans. Pension costs are expensed based on the funding requirements under the Plan *[note 16]*.

For defined contribution pension plan, required contributions by the Organization are recorded on an accrual basis.

[m] Other employee future benefits

The Organization provides vested sick-leave programs to rotary wing, fixed wing, paramedics and operations control centre ["OCC"] employee groups. The Organization recognizes a liability and an expense for these sick-leave programs that vest or accumulate in the period in which employees render services to the Organization in return for the benefits. The service period is the period from the date the employee is first eligible for benefits [generally the date of hire] to the expected date of the payment of the benefits.

In addition, there is a sick-leave program for non-union employees, however, this program does not vest or accumulate, or cannot be carried forward beyond 12 months after they are earned. As such, the Organization recognizes an expense when the event [the sick leave] that obligates the Organization occurs.

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

[n] Allocation of expenses

The Organization engages in the Critical Care Land Ambulance ["CCLA"] program. The costs of the CCLA program include personnel, premises and other expenses that are directly related to providing this program. The Organization also incurs a number of general support expenses that are common to the administration of the Organization and of the CCLA program.

The Organization allocates certain of its general support expenses by identifying the appropriate basis of allocation for each component expense and applies that basis consistently each year.

[o] Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates are required to determine the useful lives of the capital assets, the selection of an appropriate method of amortization of the capital assets, assessment of impairment of assets, valuation of derivatives and actuarial assumptions for the non-vesting sick-leave benefit plan. Actual results could differ from those estimates.

The amount of revenue recognized from the MOHLTC requires a number of estimates. Based on the Performance Agreement established between Ornge and MOHLTC, if the Organization does not meet its performance standards or obligations, MOHLTC has the right to adjust funding received by the Organization. MOHLTC is not required to communicate certain funding adjustments until after the submission of year-end data. Since this data is not submitted until after the completion of the consolidated financial statements, the amount of MOHLTC funding received during the year may be increased or decreased subsequent to year end. The amount of revenue recognized in these consolidated financial statements represents management's best estimate of amounts that have been earned during the year.

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

3. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist of the following:

	2015 $	2014 $
Restricted for		
Deposit with BNY Trust Company of Canada ["Trustee"] for $23,877 First Mortgage Series A Bond	226	172
Purchase of capital assets defined by the external donors *[note 9]*	102	188
	328	360

4. INVENTORY

Inventory consists of the following:

	2015 $	2014 $
Medical supplies	763	1,022
Consumable aviation parts	3,725	2,082
	4,488	3,104

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

5. CAPITAL ASSETS

Capital assets consist of the following:

	2015		
	Cost $	Accumulated amortization $	Net book value $
Land	3,243	—	3,243
Buildings	21,351	6,232	15,119
Equipment and vehicles	13,082	9,972	3,110
Computer equipment and software	5,160	3,594	1,566
Aircraft airframes	144,995	20,284	124,711
Aircraft engines	29,902	7,272	22,630
Avionics	4,854	3,984	870
Rotables	4,231	295	3,936
Leasehold improvements	1,451	887	564
Assets under construction	2,129	—	2,129
	230,398	52,520	177,878

	2014		
	Cost $	Accumulated amortization $	Net book value $
Land	3,243	—	3,243
Buildings	21,345	5,232	16,113
Equipment and vehicles	12,215	9,317	2,898
Computer equipment and software	4,138	2,830	1,308
Aircraft airframes	156,306	19,653	136,653
Aircraft engines	41,961	6,568	35,393
Avionics	5,443	3,539	1,904
Rotables	1,484	151	1,333
Leasehold improvements	660	595	65
Assets under construction	2,005	—	2,005
	248,800	47,885	200,915

ORNGE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

During the year ended March 31, 2015, the Organization recorded, as a reduction of cost, impairment of $3,985 [2014 - $3,484]: $3,933 [2014 - $3,434] related to airframes, aircraft engines and avionics, $52 [2014 - nil] related to computer software and nil [2014 - $50] related to equipment and vehicles.

6. ASSETS HELD FOR SALE

Assets held for sale consist of the following:

	2015 $	2014 $
Aircraft airframes	4,077	—
Aircraft engines	1,508	—
	5,585	—

A number of Pilatus [PC-12s] deemed as surplus aircraft not required for patient transport were listed for sale. As of March 31, 2015, these aircraft were therefore classified as assets held for sale.

7. SHORT-TERM LOAN

On December 15, 2010, the Organization entered into a short-term, unsecured credit facility for general corporate purposes. The facility currently allows borrowing of up to $20,000 under a revolving sub-line facility and up to $10,000 of swing line facility. The facility is unsecured and matures on December 15, 2015.

As of March 31, 2015, the outstanding balance is nil [2014 - nil].

8. EMPLOYEE FUTURE BENEFITS

The Organization allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. Employees are permitted to accumulate their unused allocation each year up to the allowable maximum provided in their employment agreements. Accumulated days may be used in future years to the extent that employees' illness or injury exceeds the current year's allocation of sick days. Sick days are paid out at the salary in effect at the time of usage.

All computations and disclosures are determined using a measurement date for accounting purposes as at March 31, 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2017

[a] Employee future benefit liabilities

	2017 $	2016 $
Accrued employee future benefit obligations	1,210	976
Unamortized actuarial loss, end of year	(58)	(80)
Employee future benefits liabilities	1,152	896

[b] Employee future benefit expenses

	2017 $	2016 $
Current year benefit cost	758	505
Interest on accrued benefit obligation	28	18
Employee future benefit expenses	786	523

For the year ended March 31, 2017, $486 [2016 - $466] in benefits were paid.

The significant actuarial assumptions adopted in measuring the Organization's accrued benefit obligations for the non-vesting sick leave are as follows:

	March 31, 2017 %	March 31, 2016 %
Discount rate	2.90	1.90

The significant actuarial assumptions adopted in measuring the Organization's expense for the non-vesting sick leave are as follows:

	2017 %	2016 %
Discount rate	2.90	1.70
Salary escalation	2.90	1.90

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

9. DEFERRED CONTRIBUTIONS

Deferred contributions consist of externally restricted funds received for various purposes. Deferred contributions will be recognized as revenue in the consolidated statement of operations and changes in net deficiency when the applicable expenses are incurred.

	2015 $	2014 $
Balance, beginning of year	**188**	306
Add: contributions re CCLA *[note 13]*	**13,801**	13,801
Less: contributions refunded	**22**	-
Less: amount realized	**13,865**	13,919
Balance, end of year	**102**	188
Less: current portion	**27**	91
Balance: long-term portion	**75**	97

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. Contributions are amortized over the lives of the related assets. The changes in the deferred contribution of capital assets balance for the year ended March 31, 2015 are as follows:

	2015 $	2014 $
Deferred contributions related to capital assets, beginning of year	**320**	709
Add contributions received for purchase of capital assets	**44**	104
Less amortization of deferred contributions related to capital assets	**128**	493
Deferred contributions related to capital assets, end of year	**236**	320

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

11. BONDS PAYABLE

	2015 $	2014 $
Series A unsecured debenture [a]	**258,074**	265,133
First Mortgage Series A bond [b]	**23,500**	23,598
	281,574	288,731
Less unamortized transaction costs	**2,432**	2,587
	279,142	286,144
Less current portion of bonds payable	**7,607**	7,157
Long-term portion of bonds payable	**271,535**	278,987

Principal payments required in each of the next five years and thereafter are as follows:

	$
2016	7,607
2017	8,230
2018	8,707
2019	9,213
2020	9,747
Thereafter	238,070
	281,574

As at March 31, 2015, $4,474 [2014 - $4,589] in accrued interest was included in accounts payable and accrued liabilities.

[a] On June 11, 2009, the Organization issued a Series A unsecured debenture [the "Debenture"] in the amount of $275,000 to finance the acquisition of certain fixed wing and rotary wing aircraft and related infrastructure, and for general corporate purposes. The Debenture bears interest at 5.727% per annum, calculated annually and payable semi-annually. Until June 11, 2012, the Organization paid interest only on the outstanding Debenture. From December 11, 2012 until maturity, the Organization will pay interest and principal semi-annually. The maturity of the Debenture is June 11, 2034.

Transaction costs related to the issuance of the Debenture, including professional fees, were $2,549. These costs were recorded against the Debenture amount and are being amortized over the life of the Debenture using the effective interest rate method.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

The fair market value of the Debenture as at March 31, 2015 is $315,714 [2014 - $289,146]. The yield on a similar private placement would be 3.33% [2014 - 4.71%]. Given that there is no active secondary market for this issue, the price quoted represents the theoretical value of the Debenture.

The Organization is subject to certain covenants associated with the Debenture.

[b] On January 31, 2011, the Organization issued a First Mortgage Series A bond [the "Bond"] in the amount of $23,877 for the purpose of financing the head office building. The Bond bears interest at 5.60% per annum, calculated semi-annually, and is repayable in blended payments of principal and interest monthly. The maturity date of the Bond is January 31, 2036. A mortgage and security interest in and to the Organization's corporate building, the related land and fixtures with a carrying value of $17,257, and all benefits to be derived from these assets, including the lease of these assets, has been provided as collateral for the bond.

Transaction costs related to the issuance of the Bond, including professional fees, were $684. These costs were recorded against the Bond amount and are being amortized over the life of the Bond using the effective interest rate method.

The Organization may redeem a portion of or the entire Bond at any time prior to its maturity at a price based on the principal amount then outstanding plus a "make-whole" premium, and accrued and unpaid interest.

The fair market value of the Bond as at March 31, 2015 is $27,567 [2014 - $25,239]. The yield on a similar private placement would be 3.89% [2014 - 4.86%]. Given that there is no active secondary market for this issue, the price quoted represents the theoretical value of the Bond.

The Organization is subject to certain covenants associated with the Bond. One of the covenants that the Organization must comply with is the provision of audited consolidated financial statements of the Organization and separate financial statements of OGRE to BNY Trust Company of Canada ["Trustee"] the Trustee and to the Lead Bondholder, the Canada Life Assurance Company ["Canada Life"]. Canada Life has agreed in writing to waive compliance with the obligation to submit audited financial statements of OGRE for fiscal year 2012 and future years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

12. FINANCIAL INSTRUMENTS

[a] Credit risk

Credit risk is the risk of financial loss to the Organization if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Organization's cash and cash equivalents, restricted cash and cash equivalents and fuel hedging contracts.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at March 31, 2015 was as follows:

	2015 $	2014 $
Cash and cash equivalents	**6,106**	10,382
Restricted cash and cash equivalents	**328**	360
Accounts receivable	**4,855**	2,987
Derivative financial instruments, net	**-**	238
	11,289	13,967

The Organization minimizes its exposure to the risk related to financial assets by investing solely in products that are highly liquid and by entering into agreements solely with large financial institutions and government bodies with suitable credit ratings.

[b] Liquidity risk

The Organization derives a significant portion of its operating revenue from the Ontario government. The Organization is bound by a Performance Agreement with MOHLTC. MOHLTC provides funds to the Organization for the purposes of delivering the services as described in the Performance Agreement. The Organization is exposed to the risk related to availability of cash resources in order to continue to provide services expected by the Organization's mandate under the Performance Agreement.

To manage liquidity risk, the Organization ensures sound management of available cash resources. The Organization has access to a short-term, unsecured credit facility *[note 7]* that is used when sufficient cash flow is not available from government funding to cover operating expenditures.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

The Organization monitors its cash requirements based on financial forecasts and anticipated cash flows.

[c] Currency risk

The Organization is exposed to currency risk on purchases and warranty claims that are denominated in U.S. dollars. Changes in the applicable exchange rate may impact earnings, and accounts payable and accrued liabilities.

At March 31, 2015, the Organization had the following balances denominated in a foreign currency:

	2015 U.S.$	2014 U.S.$
Accounts payable and accrued liabilities	**1,449**	2,304

A 1% change in the U.S. dollar foreign currency rates would have a $14 impact on unrestricted net deficiency and accumulated remeasurement gains and losses.

[d] Interest rate risk

The objective of interest rate risk management is to manage and control risk exposures within acceptable parameters.

A change in the interest rate of the Organization's long-term debt would have an impact on the fair value of the debt but no impact on the consolidated financial statements since the debt is measured at amortized cost and has a fixed rate of interest.

[e] Commodity risk

The Organization requires significant quantities of aviation fuel for its aircraft operations. As a result, the Organization is exposed to commodity price risks associated with the variations in the market price for aviation fuel. The price of aviation fuel is sensitive to, among other things, the price of crude oil, refining, and delivery costs. In order to limit the effect of these risks, the Organization has entered into fixed price forward contracts until August 2015.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

As at March 31, 2015, the Organization had 5 [2014 – 11] ultra low sulphur diesel fuel ("ULSD") fixed price forward contracts with major Canadian banks to offset its exposure to the price risk associated with forecasted purchases of aviation fuel over the next 5 months. The notional quantity of ULSD hedged is 3,950,117 litres [2014 – 7,952,705 litres] at a strike price ranging from $0.8142 per litre to $0.8425 per litre [2014 - $0.7985 per litre to $0.8714 per litre]. The fixed price forward contracts do not result in physical delivery of ULSD but are cash settled to offset the effect of price changes. As at March 31, 2015, the fair value of the fixed price forward contracts amounted to an asset/(liability) of $(979) [2014 - $238]. During the year ended March 31, 2015, a realized (loss) gain of $(713) [2014 - $354] on settled contracts was included in Carrier and fleet-related expenses.

[f] Fair value hierarchy

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the data used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1 - valuation based on quoted prices [unadjusted] in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data [unobservable inputs].

The fair value hierarchy requires the use of observable data on the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant input has been considered in measuring fair value.

The cash and cash equivalents and the restricted cash and cash equivalents that the Organization holds as at March 31, 2015 fall within Level 1 of the fair value hierarchy.

The derivative financial instruments that the Organization holds as at March 31, 2015 fall within Level 2 of the fair value hierarchy.

13. ALLOCATION OF EXPENSES

The specifically funded program expenses consist of direct program costs and allocation of general support expenses as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

	2015 $	2014 $
Direct program costs - CCLA	**12,190**	12,169
Allocation of administrative costs - CCLA	**1,611**	1,632
Other	**19**	14
Specifically funded program expenses	**13,820**	13,815

14. COMMITMENTS

[a] Operating commitments

The Organization has entered into various operating commitments to receive services in support of the Organization's transport medicine operation. The Organization is also committed under long-term leases for premises in various bases across Ontario.

	$
Within one year	9,998
Between one and five years	1,764
Beyond five years	883

[b] Letter of credit

As at March 31, 2015, the Organization has no letter of credit outstanding [2014 - $272].

15. CONTINGENCIES

The Organization is subject to various claims and potential claims. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to the claims will be recorded in the year during which the liability is determined or adjustments to the amount recorded are determined to be required.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

A legal action against the Organization's former CEO for payment of a loan of $500 was commenced during 2012 and the former CEO filed a counter claim in the amount of $3,000. The Organization believes it has valid defences to the plaintiff's claims and intends to vigorously defend this case. At this time, these legal proceedings are still ongoing and, accordingly, it is not possible to predict the outcome.

The former CEO filed a claim against the Organization for $12,200 in connection with his termination. The Organization is defending the case and has filed a counter claim. At this time, these legal proceedings are still ongoing and it is not possible to determine the outcome.

The Organization has indemnified its former and current directors and officers for claims and legal costs related to their services to the Organization.

The Organization is named as a defendant in charges brought under the Canada Labour Code resulting from an air ambulance helicopter accident in 2014. At this time, it is not possible to arrive at a range of outcomes or a reliable estimate of the liabilities that may accrue to Ornge in connection with these claims.

The Organization participates in the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its members. All members of the HIROC pool pay annual premiums which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. There are other claims covered by HIROC. Management believes that their coverage is adequate to cover any amounts payable in connection with these claims.

16. PENSION PLANS

Certain full-time employees of the Organization are eligible to be members of HOOPP, which is a multi-employer, defined benefit, final average earnings, and contributory pension. The Plan is accounted for as a defined contribution plan following the standards for multi-employer plans. The Organization's contribution to the Plan during the year amounted to $3,304 and is included in salaries and employee benefits expense and specifically funded programs in the consolidated statement of operations and changes in net deficiency. Contributions made by the Organization are in accordance with the funding requirements under the Plan. The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2014 disclosed net assets available for benefits of $60,848 million with pension obligations of $46,923 million, resulting in a surplus of $13,925 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in thousands of Canadian dollars, unless otherwise indicated]

March 31, 2015

The Organization also maintains a defined contribution pension plan for certain groups of its employees. During 2015, the Organization contributed and expensed an aggregate of $1,516 [2014 - $625] to the plan.

17. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

	2015 $	2014 $
Increase in accounts receivable	**(1,868)**	(1,101)
(Increase) decrease in prepaid expenses and deposits	**(175)**	1,039
Increase in inventory	**(1,384)**	(777)
Increase (decrease) in accounts payable and accrued liabilities	**(2,049)**	450
Increase in employee future benefits	**273**	84
Decrease in deferred contributions	**(86)**	(118)
	(5,289)	(423)

OTTAWA CONVENTION CENTRE
CENTRE DES CONGRÈS D'OTTAWA

Management's Responsibility for Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian public sector accounting standards. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by PricewaterhouseCoopers. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Nina Kressler
President & CEO

Dan Young, CPA, CMA
Vice-President, Finance & Administration

June 30, 2015

pwc

June 26, 2015

Independent Auditor's Report

To the Members of
Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

We have audited the accompanying financial statements of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa, which comprise the statement of financial position as at March 31, 2015 and the statements of operations, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa as at March 31, 2015 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Financial Position

As at March 31, 2015

	2015 $	2014 $
Assets		
Current		
Cash	1,910,778	1,422,873
Accounts receivable	284,283	330,291
Prepaid expenses	81,088	82,425
	2,276,149	1,835,589
Property, plant and equipment (note 3)	160,746,499	166,008,121
	163,022,648	167,843,710
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities	2,012,385	1,888,882
Deferred revenue and deposits	2,256,337	1,787,628
Current portion of long-term debt (note 4)	140,898	159,268
	4,409,620	3,870,278
Deferred revenue and deposits	407,808	392,214
Long-term debt (note 4)	46,848,811	46,972,088
Deferred contributions related to property, plant and equipment (note 5)	110,248,841	110,461,775
	161,915,181	162,307,253
Net assets	1,107,467	5,536,457
	163,022,648	167,843,710

Commitments (note 8)

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Operations

For the year ended March 31, 2013

	2013 $	2012 $
Revenue		
Food and beverage	[illegible]	[illegible]
Space rental	[illegible]	[illegible]
Commissions	[illegible]	[illegible]
Advertising	[illegible]	[illegible]
Other	[illegible]	[illegible]
Interest earned	[illegible]	[illegible]
	[illegible]	[illegible]
Expenses (note 8)		
Direct	[illegible]	[illegible]
Facilities	[illegible]	[illegible]
Selling, general and administrative	[illegible]	[illegible]
	[illegible]	[illegible]
Excess of revenue over expenses before undernoted items	[illegible]	[illegible]
Interest on long-term debt	[illegible]	[illegible]
Amortization of deferred contributions related to property, plant and equipment	[illegible]	[illegible]
Naming rights contract costs	[illegible]	–
Amortization of property, plant and equipment	[illegible]	[illegible]
Excess of expenses over revenue for the year	[illegible]	[illegible]

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Changes in Net Assets

For the year ended March 31, 2015

	2015 $	2014 $
Net assets – Beginning of year	5,536,457	9,269,063
Excess of expenses over revenue for the year	(4,428,990)	(3,732,606)
Net assets – End of year	1,107,467	5,536,457

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Statement of Cash Flows

For the year ended March 31, 2015

	2015 $	2014 $
Cash flows provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(4,428,990)	(3,732,606)
Items not affecting cash –		
Amortization of property, plant and equipment	5,282,669	5,303,707
Amortization of deferred contributions related to property, plant and equipment	(3,212,931)	(3,212,931)
Capitalization of interest to long-term debt	2,016,819	1,911,885
	(342,433)	270,055
Net change in non-cash working capital balances (note 7)	985,609	(295,640)
	643,176	(25,585)
Capital activity		
Purchase of property, plant and equipment	(21,047)	(119,248)
Financing activity		
Repayment of long-term debt	(134,288)	(128,171)
Increase (decrease) in cash during the year	487,841	(273,004)
Cash – Beginning of year	1,422,935	1,695,939
Cash – End of year	1,910,776	1,422,935
Supplementary information		
Interest paid	95,712	102,327

The accompanying notes are an integral part of these financial statements.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2015

1 Nature of organization

The Ottawa Convention Centre Corporation ("the Centre") was incorporated by a special Act of the Ontario Provincial Legislature. The mandate of the Centre is to operate, maintain and manage an international class convention centre facility in the City of Ottawa in a manner that will promote and develop tourism and industry in Ontario. The Centre is exempt from income taxes.

2 Summary of significant accounting policies

Basis of presentation

The financial statements of the Centre are prepared in accordance with Canadian public sector accounting standards (PSAS), including accounting standards that apply to government not-for-profit organizations.

Revenue recognition

Revenue from food, beverage, space rental and other is recognized when the related goods or services are provided to the customer. Advertising revenue is recognized in the year in which the advertising is provided to the client. Commission revenue is recognized in the year in which the related event is held.

The Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed materials and services

From time to time, the Centre receives contributed materials and services. Since these materials and services are either not normally purchased by the Centre or the fair value of the materials or services cannot be reasonably estimated, contributed materials and services are not recognized in these financial statements.

Use of estimates

The preparation of the financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates made in the preparation of these financial statements include the useful lives of property, plant and equipment, and commission revenues earned. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2015

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is provided for by the straight-line method over the estimated useful life of the various classes of assets, except in the year of acquisition when a pro-rated share of the year's amortization is recorded based on the fiscal quarter in which the asset is acquired. Amortization is calculated at the following rates.

Building	40 years straight-line
Software	5 years straight-line
Furniture, equipment and fixtures	10 years straight-line
Technology network	15 years straight-line

The Centre reviews long-lived assets for impairment whenever events or changes in circumstances indicate the asset no longer has any long-term service potential to the Centre. The impairment loss, if any, is the excess of the carrying value over any residual value. Impairment losses are not reversed in future periods.

Deferred revenue and deposits

Deferred revenue and deposits represent amounts received in advance from customers in relation to services to be rendered in future periods.

Deferred contributions related to property, plant and equipment

Deferred contributions represent amounts received from various levels of government as well as one of the Centre's significant partners, to be used towards the construction and purchase of property, plant and equipment.

Deferred contributions are recognized as revenue on the same basis as the amortization of property, plant and equipment.

Employee future benefits

All full-time employees of the Centre are eligible to be members of the Centre's defined contribution pension plan which offers employees a pension benefit, upon retirement or termination, based on the accumulated contributions made by the individual employee and by the Centre, on their behalf, plus any investment earnings on these contributions. Contributions required to be made by the Centre are recorded in the period in which employee services are rendered.

During the period, the Centre recorded an expense of $86,609 (2014 – $90,264) for contributions made to the defined contribution pension plan, which is included in selling, general and administrative expenses.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2015

Financial instruments

The Centre's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Centre has classified its financial instruments as follows.

Asset/liability	Measurement
Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost

The carrying amount of these financial assets and financial liabilities approximates their fair values unless otherwise disclosed.

3 Property, plant and equipment

			2015
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,119,370	17,011,053	153,108,317
Software	274,577	260,662	13,915
Furniture, equipment and fixtures	8,394,470	3,339,869	5,054,601
Technology network	2,476,912	660,509	1,816,403
Land	753,263	–	753,263
	182,018,592	21,272,093	160,746,499

			2014
	Cost $	Accumulated amortization $	Net carrying amount $
Building	170,119,370	12,758,070	157,361,300
Software	274,577	233,947	40,630
Furniture, equipment and fixtures	8,373,422	2,502,025	5,871,397
Technology network	2,476,912	495,381	1,981,531
Land	753,263	–	753,263
	181,997,544	15,989,423	166,008,121

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2015

4 Long-term debt

On November 2, 2012 the Centre was granted an amendment to the financing agreement with the Ontario Financing Authority. As a result of the amendment, the Centre will not be required to pay any annual instalments of principal or interest on this loan for a period of up to five years ("Stalled Repayment Period"), during which interest expense will continue to accrue. At the discretion of the Ontario Financing Authority but no later than September 2018, the Centre is required to resume blended interest and principal repayments, based on an adjusted loan amortization schedule which will be provided by the Ontario Financing Authority, at the end of the Stalled Repayment Period. The loan has been presented as a long-term liability on the assumption that the Ontario Financing Authority will not request early repayment.

	2015 $	2014 $
Loan payable from the Ontario Financing Authority, bearing interest at the province's cost of funds plus 0.525% (2014 – 0.525%), compounded annually, including $3,824,910 (2014 – $1,868,800) of capitalized interest. As at March 31, 2015, the interest rate amounted to 4.7% (2014 – 4.7%).	45,014,144	42,997,325
Debt related to acquisition of technology services network, bearing interest of 4.7% per annum and requiring blended monthly payments of $19,167 (2014 – $19,167) from April 2011 through March 2026.	1,975,365	2,109,653
	46,989,509	45,106,978
Less: Current portion	140,698	134,288
	46,848,811	44,972,690

Long-term debt, excluding the loan payable to the Ontario Financing Authority, matures over the next five years as follows.

	$
Year ending March 31, 2016	140,698
2017	147,414
2018	154,451
2019	161,823
2020	169,548

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2015

5 Deferred contributions

	2015 $	2014 $
Balance – Beginning of year	113,461,773	116,674,704
Amortization	(3,212,932)	(3,212,931)
Balance – End of year	110,248,841	113,461,773

6 Expenses

Expenses presented by function are represented as follows.

	2015 $	2014 $
Direct	7,141,871	6,966,624
Facilities	10,426,563	10,677,598
Selling, general and administrative	3,349,266	2,675,064
Financial	2,112,530	2,013,715
	23,030,230	22,333,001

The above presentation of expenses by function excludes the amortization of deferred contributions related to property, plant and equipment, as these are considered revenue in accordance with the Centre's accounting policies described in note 2.

7 Net change in non-cash working capital balances

The net change in non-cash working capital balances consists of the following changes in current assets and liabilities.

	2015 $	2014 $
Accounts receivable	45,946	176,229
Prepaid expenses	1,334	3,014
Accounts payable and accrued liabilities	343,703	(224,826)
Deferred revenue and deposits – Current	488,931	(185,592)
Deferred revenue and deposits – Long-term	105,695	(64,465)
	985,609	(295,640)

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2015

8 Financial instruments and risk management

The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available and are most suitable and appropriate based on the type of financial instrument being valued in order to establish what the transaction price would have been on the measurement date in an arm's length transaction.

Cash, being the only financial instrument measured at fair value, was measured as a Level 1 financial instrument.

Credit risk

Credit risk refers to the risk resulting from the possibility that parties may default on their financial obligations to the Centre. The Centre's booking policies are designed to minimize the amounts due from customers upon the conclusion of their event and thereby reduce their credit risk exposure. Further, the Centre's management performs regular reviews of the credit worthiness of its customers and has collection policies that management feels are adequate to minimize losses in this area. The Centre does not consider its accounts receivable as presenting any significant credit risk.

As at March 31, 2015, based on their invoice date, the following accounts receivable were past due but not impaired.

	31 – 60 days $	61 – 90 days $	91 – 120 days $	Over 120 days $
Accounts receivable	36,785	1,935	–	–

Liquidity risk

Liquidity risk refers to the risk that the Centre will encounter difficulty in meeting obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its loan payable. As at March 31, 2015, the Centre was in compliance with loan covenants and was able to discharge its liabilities. In November 2012, the Centre successfully renegotiated its long-term debt agreement with the Ontario Financing Authority (note 4), and as a result, the Centre expects to continue to be in compliance with loan covenants and be able to discharge its liabilities in fiscal 2016.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements
March 31, 2015

The table below is a maturity analysis of the Centre's financial liabilities as at March 31, 2015 excluding the loan payable to the Ontario Financing Authority (note 4).

	Up to 6 months $	More than 6 months up to 1 year $	More than 1 year up to 5 years $	More than 5 years $	Total $
Accounts payable and accrued liabilities	1,881,124	5,646	62,798	62,797	2,012,365
Long-term debt (excluding non-capitalized interest)	69,529	71,169	633,237	1,201,430	1,975,365
	1,950,653	76,815	696,035	1,264,227	3,987,730

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Centre has $45,014,144 (2014 – $42,997,325) in debt bearing interest at the Province of Ontario's cost of funds plus 0.525 % annually (note 4). Management does not consider the Centre to be exposed to significant interest rate risk, other than on its loan payable.

As at March 31, 2015, the Centre's total exposure to interest rate risk is $45,014,144. The Centre's estimate of the effect on net assets, as at March 31, 2015, of a one percent increase or decrease in the interest rate on the loan payable, with all other variables held constant, would amount to an approximate increase or decrease of $450,141. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Financing available

The Centre has an unused line of credit of $5,000,000 (2014 – $5,000,000) which is available until March 2016. Interest is charged at prime.

Sensitivity analysis

The sensitivity analysis included in this note should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analysis, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may magnify or counteract the effect on the fair value of the financial instrument.

Ottawa Convention Centre / Société du Centre des Congrès d'Ottawa

Notes to Financial Statements

March 31, 2015

9 Commitments

The Centre has entered into facility services and technology services agreements related to the operation of the new facility, both expiring in 2026. Under the facility services agreement, among other terms, the Centre will pay a facility management fee of $230,000 (2014 – $220,000) with annual escalations of $10,000 thereafter. Under the technology services agreement, the Centre will make annual payments of $290,000 (2014 – $286,000) attributable to the ongoing service agreement. All figures exclude applicable taxes.

10 Capital management

The Centre's objective when managing capital is to maintain its ability to continue as a going concern in order to execute its mandate to operate a world class convention facility. The Centre's capital structure is comprised of its net assets and deferred contributions related to property, plant and equipment. The Centre's objective in management of its capital structure is to ensure access to sufficient cash flow to carry out its ongoing operations and service the debt obligations to the Ontario Financing Authority.

Province of Ontario Council for the Arts

Management's Responsibility for Financial Information

The accompanying financial statements of the Province of Ontario Council for the Arts (the OAC) are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfills its responsibilities for financial reporting and internal control. The Finance and Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the OAC, and annually to review the audited financial statements and the external auditor's report thereon.

The financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility is to express an opinion on the financial statements. The Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Peter Caldwell
Director and CEO

Jim Grace

Jim Grace, CPA, CA, CMA
Director of Finance and Administration

June 24, 2015

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

**To the Province of Ontario Council for the Arts and
to the Minister of Tourism, Culture and Sport**

I have audited the accompanying financial statements of the Province of Ontario Council for the Arts (operating as Ontario Arts Council), which comprise the statement of financial position as at March 31, 2015 and the statements of operations and changes in fund balances, remeasurement gains and losses and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Province of Ontario Council for the Arts (operating as Ontario Arts Council) as at March 31, 2015, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 24, 2015

Susan Klein, CPA, CA, LPA
Assistant Auditor General

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	Operating fund	Restricted and endowment funds	2019 Total	2018 Total
Assets				
Current				
Cash and cash equivalents	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Accounts receivable	[illegible]	–	[illegible]	[illegible]
Prepaid expenses	[illegible]	–	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]
Investments (notes 2(k) and 6)	[illegible]	[illegible]	[illegible]	[illegible]
Capital assets (note 3)	[illegible]	–	[illegible]	[illegible]
	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]
Liabilities and Fund Balances				
Current				
Accounts payable and accrued liabilities	$ [illegible]	$ –	$ [illegible]	$ [illegible]
Current portion of employee future benefits (note 2(b))	[illegible]	–	[illegible]	[illegible]
	[illegible]	–	[illegible]	[illegible]
Employee future benefits (note 2(b))	[illegible]	–	[illegible]	[illegible]
Fund balances:				
Invested in capital assets	[illegible]	–	[illegible]	[illegible]
Restricted for endowment purposes (note 8)	–	[illegible]	[illegible]	[illegible]
Restricted (note 5)	–	[illegible]	[illegible]	[illegible]
Unrestricted	[illegible]	–	[illegible]	[illegible]
Accumulated remeasurement gains	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]
	$ [illegible]	$ [illegible]	$ [illegible]	$ [illegible]

Commitments (note 10)
Economic dependence (note 11)
Subsequent event (note 13)

See accompanying notes to financial statements.

On behalf of the Board

Director

Director

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2015, with comparative information for 2014

	Operating fund		Restricted and endowment funds (Schedule 3)		Total	
	2015	2014	2015	2014	2015	2014
Income:						
General grant - Province of Ontario	$ 59,937,400	$ 60,537,400	$ –	$ –	$ 59,937,400	$ 60,537,400
Special grants:						
Ontario Canada/Ontario French Language Projects	117,300	111,265	–	–	117,300	111,265
Investment income (note 8)	425,026	409,640	2,264,296	1,351,076	2,689,322	1,760,716
Fund administration fee (note 6)	63,229	57,095	–	–	63,229	57,095
Recovery of prior years' grants	81,689	91,364	–	–	81,689	91,364
Miscellaneous	58	85,289	–	–	58	85,289
Contributions	–	–	4,184	8,592	4,184	8,592
	60,624,702	61,292,053	2,268,480	1,359,668	62,893,182	62,651,721
Expenditures:						
Awards and expenses	–	–	1,558,283	1,229,095	1,558,283	1,229,095
Grants (Schedule 1)	52,053,379	52,124,649	–	–	52,053,379	52,124,649
Administration (Schedule 2)	7,149,857	7,036,054	–	–	7,149,857	7,036,054
Services (Schedule 2)	1,928,683	1,832,919	–	–	1,928,683	1,832,919
	61,131,919	60,993,622	1,558,283	1,229,095	62,690,202	62,222,717
Excess of income over expenditures (expenditures over income)	(507,217)	298,431	710,197	130,573	202,980	429,004
Fund balances, beginning of year	1,655,686	4,915,245	29,126,498	22,799,545	30,782,184	27,714,790
Interfund transfers (Schedule 3)	534,859	(3,623,950)	(534,859)	3,623,950	–	–
Net remeasurement gains	34,744	65,960	1,355,016	2,572,430	1,389,760	2,638,390
Fund balances, end of year	$ 1,718,072	$ 1,655,686	$ 30,656,852	$ 29,126,498	$ 32,374,924	$ 30,782,184

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Remeasurement Gains and Losses

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Accumulated remeasurement gains, beginning of year	$ 5,401,345	$ 2,762,955
Change in net remeasurement gains	1,389,760	2,638,390
Accumulated remeasurement gains, end of year	$ 6,791,105	$ 5,401,345

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of income over expenditures	$ 202,980	$ 429,004
Items not involving cash:		
Gain on income distributions	(1,458,001)	(1,117,086)
Gain on sale of investments	(777,970)	(211,064)
Amortization of capital assets	75,119	116,489
Change in non-cash operating working capital:		
Accounts receivable	(7,585)	125,832
Prepaid expenses	4,113	(14,060)
Accounts payable and accrued liabilities	88,847	323,071
Employee future benefits	(173,458)	(137,701)
	(2,045,955)	(485,515)
Investing activities:		
Purchase of capital assets	(302,542)	(204,143)
Proceeds from sale of investments, net	1,462,921	1,161,350
	1,160,379	957,207
Increase (decrease) in cash and cash equivalents	(885,576)	471,692
Cash and cash equivalents, beginning of year	5,230,926	4,759,234
Cash and cash equivalents, end of year	$ 4,345,350	$ 5,230,926

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements

Year ended March 31, 2015

The Province of Ontario Council for the Arts (operating as Ontario Arts Council) (the "OAC") was established in 1963 by the Government of Ontario to promote the development and enjoyment of the arts across the province. The OAC plays a leadership role in fostering excellence in the arts and making the arts accessible to all Ontarians. The OAC is a registered charity and is exempt from tax under the Income Tax Act (Canada).

1. Significant accounting policies:

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with accounting standards for government not-for-profit organizations, included in the Canadian public sector accounting standards for government not-for-profit organizations.

The OAC follows the restricted fund method of accounting for contributions.

The OAC has elected not to consolidate controlled entities (note 7).

(b) Fund accounting:

Resources are classified for accounting and reporting purposes into funds that are held in accordance with their specified purposes.

The operating fund reports the publicly funded activities of the OAC funded mainly through a general grant from the Province of Ontario.

The restricted and endowment funds are internally restricted by the OAC or by the terms specified by the donors in their trust agreements.

Grant approved to be paid in the future upon specific requirements being met are not included in the statement of operations and changes in fund balances (note 10(b)).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

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1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

The OAC considers deposits in banks, guaranteed investment certificates and other instruments that are cashable or with original maturities of three months or less as cash and cash equivalents.

(d) Investment income:

Investment income comprised income (loss) earned (incurred) on pooled investments and bank balances.

Investment income (loss) earned (incurred) related to the operating fund is recognized based on the actual number of units held in the pooled investment and recognized as income of the operating fund.

Investment income (loss) earned (incurred) on the pooled investments related to the restricted and endowment funds is recognized as income (loss) of the restricted and endowment funds.

(e) Employee benefits:

(i) The OAC follows Public Sector Accounting ("PSA") requirements for accounting for employee future benefits, which include post-employment benefits payable upon termination. Under these requirements, the cost of the post-employment benefits paid upon termination is charged to operations annually as earned.

(ii) The OAC accrues for sick leave liabilities and other benefits for amounts that accrue but have not vested.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(f) Capital assets:

Capital assets are recorded at cost (purchase price). All capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Audiovisual equipment	5 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvements	5 years

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations and changes in fund balances.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and changes in fund balances and any unrealized gain or loss is adjusted through the statement of remeasurement gains and losses.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

---

1. Significant accounting policies (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and changes in fund balances.

The standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value of measurements for all of the investments held by OAC are categorized as Level 2.

Derivative financial instruments and portfolio investments in equity instruments that are quoted in an active market and included on the statement of financial position are measured at fair value upon inception.

(h) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and changes in fund balances and the unrealized balances are reversed from the statement of remeasurement gains and losses.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

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1. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the year. Significant estimates include carrying value of capital assets and provisions for certain employee future benefits liabilities. Actual results could differ from those estimates.

2. Employee future benefits:

(a) Pension benefits:

The OAC's full-time employees participate in the Public Service Pension Fund ("PSPF"), which is a defined benefit pension plan for employees of the Province of Ontario and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the OAC's annual payments to the PSPF. Since the OAC is not a sponsor of the PSPF, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OAC, as the sponsor is responsible for ensuring that the PSPF is financially viable. The annual payments to the PSPF of $316,635 (2014 - $288,110) are included in salaries and benefits in Schedule 2.

(b) Non-pension benefits:

The cost of post-retirement non-pension employee benefits is paid by the Ministry of Government and Consumer Services and is not included in the statement of operations and changes in fund balances.

The OAC also provides termination benefits earned by eligible employees. The amount of severance payments and unused vacation pay accrued at year end was $313,922 (2014 - $461,340), of which $249,558 (2014 - $284,375) has been classified as a current liability.

The OAC has set aside funds to meet these liabilities and other obligations and invested these funds in the same pooled investments as the restricted and endowment funds. As at March 31, 2015, this investment has a market value of $774,391 (2014 - $682,935) and is shown under the operating fund as investments.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

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3. **Capital assets:**

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Audiovisual equipment	$ 80,464	$ 71,857	$ 8,607	$ 11,780
Computer hardware and software	516,083	470,222	45,861	47,469
Furniture and fixtures	118,552	94,848	23,704	28,405
Office equipment	40,769	29,647	11,122	12,157
Leasehold improvements	210,635	195,030	15,605	32,602
Assets under development	916,096	–	916,096	661,159
	$ 1,882,599	$ 861,604	$ 1,020,995	$ 793,572

4. **Fund balances restricted for endowment purposes:**

	2015	2014
The Oskar Morawetz Memorial Fund	$ 26,000	$ 26,000
Canadian Music Centre John Adaskin Memorial Fund	17,998	17,998
Dr. Heinz Unger Scholarship Fund	17,235	17,235
The Leslie Bell Scholarship Fund	9,078	9,078
	$ 70,311	$ 70,311

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Internally restricted fund balances:

Included in restricted fund balance of $30,656,852 is $3,077,400 of internally restricted funds, which comprise the following:

(a) During 2015, the OAC authorized internally restricted fund balances described as follows:

	2015	2014
Granting programs fund	$ 827,400	$ 1,535,400
Future leasehold improvements fund	750,000	750,000
Board-designated reserve fund	1,250,000	750,000
Information technology modernization fund	250,000	583,000
	$ 3,077,400	$ 3,618,400

(b) The Venture Fund with a balance of $4,334,406 (2014 - $3,830,603) is an internally restricted fund established by the Board of Directors to provide grants in support of innovative and experimental artistic endeavours.

6. Related party transactions:

Included in Schedule 2 are administration fees charged by the OAC for providing day-to-day administrative support and services to the restricted and endowment funds held by the OAC. As permitted in the respective agreements, the OAC has levied an administration fee, either on a fixed or percentage basis, on the funds held or on the annual investment income earned by the funds held by the OAC.

	2015	2014
Fund administration fee	$ 63,229	$ 57,095

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

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6. Related party transactions (continued):

During the year, the OAC allocated a portion of its monthly office rental fees and a portion of its general and administrative costs to the Ontario Arts Foundation (formerly Ontario Arts Council Foundation) (the "Foundation"). The Foundation is controlled by the OAC's Board of Directors through election of the Foundation's Board of Directors. General and administrative costs allocated amounted to $7,200 (2014 - $7,200) and total rent allocated amounted to $6,000 (2014 - $6,000).

The above transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

7. Ontario Arts Foundation:

The Foundation was incorporated under the Ontario Corporations Act on October 15, 1991 and is a registered charity under the Income Tax Act (Canada). The Foundation was established:

(a) to receive and maintain a fund or funds to apply all or part of the principal and income therefrom to charitable organizations, which are also registered charities under the Income Tax Act (Canada);

(b) to provide scholarships for study or research in the arts in Ontario or elsewhere; and

(c) to make awards to persons for outstanding accomplishments in the arts in Ontario or elsewhere.

As defined by the Chartered Professional Accountants of Canada's Accounting Standards Board accounting recommendations for not-for-profit organizations, the OAC technically controls the Foundation in that the OAC's Board of Directors controls the election of the Foundation's Board of Directors.

The Foundation's financial statements have not been consolidated in the OAC's financial statements. There are no restrictions on the resources of the Foundation, nor are there significant differences from the accounting policies used by the OAC.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

7. **Ontario Arts Foundation (continued):**

The majority of the fund balances, $48,377,383 of the total of $74,186,583, represents the balances of the individual arts endowment funds held by the Foundation under the Arts Endowment Fund program of the Government of Ontario for a number of arts organizations. Under this program, money contributed and matched is held in perpetuity. The Board of Directors of the Foundation determines the amount of income that may be paid annually.

Audited financial statements of the Foundation are available upon request. Financial summaries of the Foundation, reported in accordance with PSA, are as follows:

(a) Financial position:

	2015	2014
Assets		
Cash and investments	$ 74,206,588	$ 67,245,428
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	$ 20,005	$ 35,549
Fund balances	74,186,583	67,209,879
	$ 74,206,588	$ 67,245,428

(b) Changes in fund balances:

	2015	2014
Fund balances, beginning of year	$ 67,209,879	$ 61,452,895
Contributions received	1,171,448	845,726
Investment gain	4,353,981	1,558,823
Fund administration fee	353,718	320,548
Awards and expenses	(4,325,855)	(4,065,328)
Net remeasurement gains	5,423,412	7,097,117
Fund balances, end of year	$ 74,186,583	$ 67,209,879

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

---

7. **Ontario Arts Foundation (continued):**

(c) Cash flows:

	2015	2014
Cash flows from operating activities	$ (2,808,436)	$ (878,880)
Cash flows from investing activities	2,802,709	1,011,867
	$ (5,727)	$ 132,987

8. **Investments and investment income:**

Net investment income comprises the following:

	2015	2014
Income distributions	$ 1,458,081	$ 1,117,088
Realized gains	777,470	211,084
Bank interest	653,381	432,588
	$ 2,888,932	$ 1,760,760

The asset mix of the investments is as follows:

	2015	2014
Foreign equities, predominantly U.S.	41%	43%
Fixed income securities	22%	24%
Canadian equities	20%	21%
Alternative investments	14%	7%
Cash and cash equivalents	3%	5%

The OAC currently holds $8,237,845 (cost - $8,181,218) (2014 - $7,595,400 (cost - $8,030,781)) in fixed income securities that are exposed to interest rate price risk. The interest rates range from 0.50% to 10.95% (2014 - 0.25% to 8.50%) for the year ended March 31, 2015.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

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9. **Public sector salary disclosure:**

Section 3(5) of the Public Sector Salary Disclosure Act (1996) requires disclosure of Ontario public sector employees who were paid an annual salary in excess of $100,000 in the calendar year 2014. For the OAC, this disclosure is as follows:

Name	Title	Salary	Taxable benefits
Peter Caldwell	Director and CEO	$ 191,000	$ 339
Jim Grace	Director of Finance and Administration	128,040	221
Carolyn Vesely	Director of Granting	117,000	207
Kirsten Gunter	Director of Communications	101,820	181
Kathryn Townshend	Director of Research	101,425	181
		$ 639,285	$ 1,129

10. **Commitments:**

(a) Lease commitments:

The OAC leases office premises and office equipment under operating leases. The future annual lease payments, including a letter of intent signed subsequent to year end (note 13), are summarized as follows:

2016	$ 794,993
2017	893,554
2018	897,097
2019	899,839
2020	875,868
2021 and thereafter	5,504,109
	$ 9,873,290

(b) Grant commitments:

The OAC has approved grants of $727,189 (2014 - $759,076), which will be paid in future years once the conditions of the grants have been met. These amounts are not reflected in the statement of operations and changes in fund balances. These amounts are included in the internally restricted fund balance, as described in note 3(a).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

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11. **Economic dependence:**

The OAC is dependent on the Province of Ontario for the provision of funds to provide awards and grants and to cover the cost of operations.

12. **Financial instruments:**

(a) Interest rate and foreign currency risks:

The OAC is exposed to interest rate and foreign currency risks arising from the possibility that changes in interest rates and foreign exchange rates will affect the value of fixed income and foreign currency-denominated investments. The OAC currently does not use any hedging strategies to mitigate the exposure.

(b) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the OAC to a risk of loss. The OAC uses two professional investment managers to advise on investment risks, asset selection and mix to achieve an appropriate balance between risks and returns. The Finance and Audit Committee of the Board of Directors of the OAC monitors investments decisions and results and meets regularly with the managers.

(c) Liquidity risk:

Liquidity risk is the risk that the OAC will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The OAC manages its liquidity risk by monitoring its operating requirements. The OAC prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There has been no change to the above risk exposures from 2014.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Notes to Financial Statements (continued)

Year ended March 31, 2015

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13. **Subsequent event:**

Subsequent to year end, OAC entered into a letter of intent for a 10-year operating lease arrangement for office space commencing on January 1, 2016.

14. **Comparative information:**

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Schedule 1 - Grants

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Organizations:		
Music	$ 10,020,149	$ 9,896,985
Theatre	9,288,542	9,235,703
Dance	5,045,569	5,055,198
Visual arts	4,073,654	4,085,829
Community and multi-disciplinary arts	3,091,331	3,081,951
Francophone arts*	2,724,422	2,760,925
Literature	2,177,220	2,157,587
Arts service organizations	1,540,670	1,628,583
Media arts	1,330,354	1,349,275
Touring	1,290,110	1,361,140
Arts education	1,154,763	1,211,045
Aboriginal arts	438,430	498,727
Compass (consulting, mentoring and technical assistance)	222,902	245,740
	42,398,116	42,568,688
Individuals:		
Literature	1,847,736	1,875,360
Visual arts	1,731,873	1,746,439
Media arts	1,307,596	1,326,345
Community and multi-disciplinary arts	1,004,009	975,689
Music	777,176	777,905
Arts education	682,579	641,642
Francophone arts*	609,394	681,428
Aboriginal arts	555,499	502,273
Theatre	517,950	506,639
Touring	423,123	358,670
Dance	184,050	155,971
Compass (consulting, mentoring and technical assistance)	14,278	7,600
	9,655,263	9,555,961
	$ 52,053,379	$ 52,124,649

*Includes all grants paid to organizations and artists who have applied in French.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

(OPERATING AS ONTARIO ARTS COUNCIL)

Schedule 2 - Administration Expenses and Services

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Administration expenses:		
Salaries and benefits (notes 2, 6 and 9)	$ 5,110,510	$ 4,864,209
Consulting and legal fees	550,865	666,009
Office rent and hydro (note 6)	518,850	487,832
Communications	293,285	313,263
Travel	160,693	177,104
Miscellaneous	106,784	151,954
Meetings	101,665	90,061
Telephone, postage and delivery	85,348	39,161
Amortization	75,118	116,489
Maintenance and equipment rental	61,551	47,774
Personnel hiring and training	47,503	42,036
Office supplies, printing and stationery	37,685	40,162
	7,149,857	7,036,054
Services:		
Other programs	1,150,769	986,454
Jurors and advisors	660,614	732,200
Canada/Ontario French language projects	117,300	114,265
	1,928,683	1,832,919
	$ 9,078,540	$ 8,868,973

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS
(OPERATING AS ONTARIO ARTS COUNCIL)

Schedule 3 - Restricted and Endowment Funds

Year ended March 31, 2015, with comparative information for 2014

2015	Fund balances, beginning of year	Contributions received	Transfer from (to) operating fund	Investment income	Awards and expenses paid	Fund balances, end of year
The Chalmers Family Fund	$ 20,938,668	$ –	$ –	$ 2,970,970	$ (1,485,366)	$ 22,424,272
The Venture Fund (note 5)	3,830,603	–	–	543,522	(39,719)	4,334,406
The Oskar Morawetz Memorial Fund	273,794	–	–	38,848	(2,836)	309,806
Dr. Heinz Unger Scholarship Fund	93,539	–	–	13,272	(968)	105,843
The Leslie Bell Scholarship Fund	133,720	–	6,141	18,974	(11,372)	147,463
The Vida Peene Fund	117,357	4,184	–	16,651	(8,468)	129,724
The John Hirsch Memorial Fund	57,689	–	–	8,175	(5,587)	60,277
Canadian Music Centre John Adaskin Memorial Fund	38,110	–	–	5,408	(395)	43,123
Colleen Peterson Songwriting Fund	16,523	–	–	2,342	(1,169)	17,696
The Ruth Schwartz Fund	8,095	–	–	1,150	(2,403)	6,842
Internally restricted funds (note 5)	3,618,400	–	(541,000)	–	–	3,077,400
	$ 29,126,498	$ 4,184	$ (534,859)	$ 3,619,312	$ (1,558,283)	$ 30,656,852

2014	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment income	Awards and expenses paid	Fund balances, end of year
The Chalmers Family Fund	$ 18,851,313	$ –	$ –	$ 3,243,698	$ (1,156,343)	$ 20,938,668
The Venture Fund (note 5)	3,295,197	–	–	567,414	(32,008)	3,830,603
The Oskar Morawetz Memorial Fund	252,730	–	–	43,470	(22,406)	273,794
Dr. Heinz Unger Scholarship Fund	87,347	–	–	15,021	(8,829)	93,539
The Leslie Bell Scholarship Fund	110,187	100	5,550	18,987	(1,104)	133,720
The Vida Peene Fund	97,961	8,492	–	16,877	(5,973)	117,357
The John Hirsch Memorial Fund	49,626	–	–	8,545	(482)	57,689
Canadian Music Centre John Adaskin Memorial Fund	32,784	–	–	5,645	(319)	38,110
Colleen Peterson Songwriting Fund	15,103	–	–	2,598	(1,178)	16,523
The Ruth Schwartz Fund	7,297	–	–	1,251	(453)	8,095
Internally restricted funds (note 5)	–	–	3,618,400	–	–	3,618,400
	$ 22,799,545	$ 8,592	$ 3,623,950	$ 3,923,506	$ (1,229,095)	$ 29,126,498

ROYAL
ONTARIO
MUSEUM

ANCIENT CULTURES
BIODIVERSITY
CANADA
CONTEMPORARY CULTURE
EARTH & SPACE

ROYAL ONTARIO MUSEUM

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Royal Ontario Museum for the year ending March 31, 2015 are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Royal Ontario Museum are described in the Summary of Significant Accounting Policies contained in Note 1 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to June 25, 2015.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Trustees. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditor's Report, which follows, outlines the scope of their examination and their opinion.

On behalf of the Royal Ontario Museum management,

Dave Tymchuk
VP of Finance

Nick Bobrow
Deputy Director of Operations & CFO

100 Queen's Park, Toronto, ON Canada M5S 2C6 T 416.586.8000 www.rom.on.ca
AN AGENCY OF THE GOVERNMENT OF ONTARIO

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Trustees of The Royal Ontario Museum

We have audited the accompanying financial statements of The Royal Ontario Museum, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net deficit and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Royal Ontario Museum as at March 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 25, 2015
Toronto, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

THE ROYAL ONTARIO MUSEUM

(Incorporated by Special Act of the Ontario Legislature as a corporation without share capital)

Statement of Financial Position
(In thousands of dollars)

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Investments (note 2)	$ 301	$ 347
Other accounts receivable	1,645	1,477
Deferred exhibition costs and other assets	434	1,646
Due from The Royal Ontario Museum Foundation (note 3)	716	70
	3,096	3,540
Pension asset (note 4)	10,140	9,011
Capital assets (note 5)	226,938	237,509
	$ 240,174	$ 250,060
Liabilities and Net Deficit		
Current liabilities:		
Bank indebtedness (note 6(a))	$ 1,276	$ 4,396
Accounts payable and accrued liabilities	6,389	8,481
Current portion of long-term debt (note 6(b))	1,004	2,162
Deferred contributions (note 7)	2,934	2,263
Deferred revenue	2,644	3,048
	14,247	20,350
Long-term debt (note 6(b))	32,341	33,345
Deferred capital contributions (note 8)	197,294	199,686
Accrued non-pension liability (note 4)	8,567	8,319
	252,449	261,700
Net deficit:		
Operating deficit	(13,824)	(13,173)
Board-restricted	1,549	1,533
	(12,275)	(11,640)
Commitments (note 13)		
	$ 240,174	$ 250,060

See accompanying notes to financial statements.

On behalf of the Board:

Bonnie Brooks
Bonnie Brooks, Chair

Mark Engstrom, Interim
Director and CEO

THE ROYAL ONTARIO MUSEUM

Statement of Operations
(In thousands of dollars)

Year ended March 31, 2015, with comparative information for 2014

	Operating Fund	Restricted Fund	Capital Fund	2015 Total	2014 Total
Revenue:					
Grants (note 9)	$ 30,563	$ 2,827	$ –	$ 33,390	$ 33,336
Admission fees	6,276	–	–	6,276	6,827
Museum programs	2,179	–	–	2,179	2,188
Ancillary services	9,915	–	–	9,915	8,509
Investment income	–	1	–	1	1
Donations - gifts-in-kind	–	782	–	782	1,159
Amortization of deferred capital contributions	–	–	11,903	11,903	11,471
Other	1,453	723	–	2,176	4,635
	50,386	4,333	11,903	66,622	68,126
Expenses:					
Curatorial and collections management	9,350	1,809	–	11,159	10,934
Building, security and visitor services	11,993	169	–	12,162	11,874
Ancillary services	7,106	–	–	7,106	6,181
General and administration	4,933	–	–	4,933	4,035
Education and public programs	3,268	141	–	3,409	2,554
Library and information services	1,178	–	–	1,178	2,325
Exhibition and gallery development	3,452	–	–	3,452	3,660
Marketing and public relations	3,408	–	–	3,408	4,042
Temporary exhibitions	4,575	–	–	4,575	4,354
Artifacts and specimens:					
Gifts-in-kind	–	782	–	782	1,159
Purchased	–	1,240	–	1,240	1,385
Interest	1,051	–	–	1,051	1,377
Amortization of capital assets	723	–	11,903	12,626	12,261
Other	–	176	–	176	21
	51,037	4,317	11,903	67,257	66,162
Excess (deficiency) of revenue over expenses	$ (651)	$ 16	$ –	$ (635)	$ 1,964

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Statement of Changes in Net Deficit
(In thousands of dollars)

Year ended March 31, 2015, with comparative information for 2014

			2015	2014
	Operating deficit	Board-restricted	Total	Total
Balance, beginning of year	$ (13,173)	$ 1,533	$ (11,640)	$ (13,604)
Excess (deficiency) of revenue over expenses	(651)	16	(635)	1,964
Balance, end of year	$ (13,824)	$ 1,549	$ (12,275)	$ (11,640)

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (635)	$ 1,964
Items not involving cash:		
Amortization of capital assets	12,628	12,261
Amortization of deferred capital contributions	(11,903)	(11,471)
Change in non-cash operating working capital:		
Due from The Royal Ontario Museum Foundation	(648)	77
Other accounts receivable	(168)	189
Deferred exhibition costs and other assets	1,212	(813)
Accounts payable and accrued liabilities	(2,092)	47
Deferred contributions	671	109
Deferred revenue	(404)	355
Change in deferred pension costs	(1,129)	(1,772)
Change in accrued non-pension liability	248	476
	(2,220)	1,422
Capital activities:		
Contributions received for capital asset purchases	9,511	6,944
Purchase of capital assets	(2,055)	(6,766)
	7,456	178
Financing activities:		
Repayments of long-term debt	(2,162)	(2,336)
Change in bank indebtedness	(3,120)	740
	(5,282)	(1,596)
Investing activities:		
Change in investments	46	(4)
Increase in cash, being cash, end of year	$ –	$ –

See accompanying notes to financial statements.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 2015

The Royal Ontario Museum (the "Museum") is an operating enterprise agency of the Province of Ontario incorporated without share capital by Special Act of the Ontario Legislature. The Museum is Canada's largest museum and one of the few of its kind to explore and exhibit both the art and archaeology of human cultures and the history of the natural world. The Museum's mission is to inspire wonder and build understanding of human cultures and the natural world.

The Museum is registered as a charitable organization under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

The Museum's multi-year business plan and ongoing forecasts and projections to the Ministry of Tourism, Culture and Sport show that the Museum should be able to operate within the level of its current facility. The Board of Trustees and management will continue to monitor progress to ensure business risks are effectively managed.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian public sector accounting standards, including the 4200 standards for government not-for-profit organizations ("Standards").

(a) Fund accounting:

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Operating Fund:

The Operating Fund accounts for the Museum's general programs, fundraising and administrative activities. The Operating Fund reports resources available for immediate purposes.

(ii) Restricted Fund:

The Restricted Fund consists of those funds where resources are to be used for an identified purpose as specified by the donors and funders.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

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1. **Significant accounting policies (continued):**

(iii) Capital Fund

The Capital Fund reports the revenue and expenses related to the Museum's building, building improvements, galleries and the Renaissance ROM Project ("ROM Project").

(b) Revenue recognition:

The Museum follows the deferral method of accounting for contributions, which include donations and government grants. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Donations are recorded on a cash basis since pledges are not legally enforceable claims.

Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for the purchase of land are credited directly to net assets. Externally restricted contributions for the purchase of other capital assets are deferred and amortized over the life of the related capital asset.

Membership fees are deferred and recognized as revenue over the term covered by the fees.

Admission fees, museum programs and ancillary services revenue are recorded as revenue when the services have been provided or the goods delivered.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost. Management records all investments at fair value as they are managed and evaluated on a fair value basis. Long-term debt is recorded at cost.

Unrealized changes in fair value are recognized, when material, in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations. A statement of remeasurement gains/losses has not been included in these financial statements as the adjustments are not material.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

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1. **Significant accounting policies (continued)**

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - unadjusted quoted market prices in active markets for identical assets or liabilities;

- Level 2 - observable or corroborated inputs, other than Level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

Derivative financial instruments are contracts that provide the opportunity to exchange cash flows that are determined by applying certain rates, indices or changes to notional contract amounts. From time to time, the Museum uses interest rate swaps to manage exposure to fluctuations in interest rates and forward foreign currency contracts to manage exposure to fluctuations in exchange rates. These instruments are used for hedging an on-statement of financial position liability or a future contractual obligation.

Derivative financial instruments are carried at fair value. As at March 31, 2015, there are no derivative instruments held by the Museum.

(d) Deferred exhibition costs:

Costs of exhibitions are deferred until the exhibitions are opened to the public and then are expensed over the year of the exhibitions to which they relate.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

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1. **Significant accounting policies (continued):**

(e) Employee future benefits:

The Museum provides defined retirement and other future benefits for substantially all retirees and employees. These future benefits include pension and health and dental benefits.

The Museum accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the pension, compensated absences and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors).

The most recent actuarial valuation of the defined benefit pension plan was as of January 1, 2014, and the next required valuation will be as of January 1, 2017. The most recent actuarial valuation of the non-pension plan for accounting purposes was as of March 31, 2015, and the next required valuation will be of March 31, 2018.

Actuarial gain (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. Actuarial gains (losses) in a year are amortized over the average remaining service period of active employees beginning in the following year. The estimated average remaining service period at March 31, 2015 of the active employees covered by the pension plan is 9 years for the Registered Plan and 11 years for the Supplemental Plan (2014 - 10 years for the Registered Plan and 8 years for the Supplemental Plan). The estimated average remaining service period at March 31, 2015 of the active employees covered by the non-pension plan is 12 years (2014 - 11 years).

Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

Compensated absences, such as parental leaves, accumulated sick days, and sabbaticals that provide compensated, unrestricted time off for past service, are accrued for as they vest or accumulate in the period in which employees render services to the Museum.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

1. **Significant accounting policies (continued):**

(f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Building	40 years
Galleries	20 years
Building improvements	5 - 10 years
Furniture and equipment	3 - 10 years

Construction in progress comprises direct construction and other costs associated with the ROM Project, including capitalized interest. Interest costs are capitalized during the construction period. No amortization is recorded until construction is substantially complete and the assets are ready for use.

(g) Foreign currency translation:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses when material. In the year of settlement, the realized foreign exchange gains and losses are recognized in the statement of operations and the unrealized balances are reversed from the statement of measurement gains and losses.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(h) Artifacts and specimens:

The value of artifacts and specimens has been excluded from the statement of financial position. Gifted artifacts and specimens are recorded as revenue at values based on appraisals by independent appraisers. The acquisition of both gifted and purchased artifacts and specimens is expensed.

(i) Contributed materials and services:

Because of the difficulty in determining their fair market value, contributed materials and services are not recognized in these financial statements.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, and obligations related to employee future benefits. Actual amounts could differ from those estimates.

2. Investments:

		Fair value	
	Level	2015	2014
Bond funds	2	$ 141	$ 125
Preferred securities	1	24	24
Bankers' acceptance	–	136	198
		$ 301	$ 347

The fixed income securities bear a yield to maturity at 0.72% (2014 - 1%) with a maturity date of June 2, 2015 (2014 - June 4, 2014).

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

3. The Royal Ontario Museum Foundation:

The Foundation was incorporated on July 1, 1992 to coordinate all private-sector fundraising activities undertaken on behalf of the Museum and its affiliates. The objective of the Foundation is to raise funds available for enhancing exhibitions and public programs, research, acquisitions and capital projects.

The accounts of the Foundation are presented separately and are not consolidated in these financial statements. The fund balances of the Foundation as at its most recent fiscal year end are as follows:

	2015	2014
Unrestricted funds	$ (932)	$ (2,315)
Restricted funds available currently	12,613	10,694
Endowment funds:		
Externally restricted	31,251	25,994
Internally restricted	11,460	10,470
	$ 54,392	$ 44,843

During the year ended March 31, 2015, the Foundation granted $11,419 (2014 - $11,124) to the Museum. Of this amount, $5,107 (2014 - $4,954) was recorded as an increase in deferred capital contributions in connection with the ROM Project (note 8) and $2,427 (2014 - $1,980) was recorded as deferred contributions for purposes other than the ROM Project (note 7).

Amounts due to/from the Foundation are non-interest bearing and have no fixed terms of repayment.

4. Employee benefits:

The expense for the Museum's benefit plans is as follows:

	2015	2014
Defined benefit plan	$ 1,156	$ 1,364
Other post-employment benefits	405	619
	$ 1,561	$ 1,983

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

4. Employee benefits (continued):

Information about the Museum's pension and non-pension plans is as follows:

	Pension		Non-pension	
	2015	2014	2015	2014
Accrued benefit obligation	$ 92,240	$ 84,453	$ 8,828	$ 8,082
Market value of plan assets	109,731	94,101	–	–
Funded status - plan surplus (deficit)	17,491	9,648	(8,828)	(8,082)
Unamortized net actuarial gain (loss)	(7,351)	(637)	261	(237)
Financial position asset (liability)	$ 10,140	$ 9,011	$ (8,567)	$ (8,319)

Included in the statement of financial position, assets related to the defined benefit pension plan is a liability of $1,189 (2014 - $1,185) in connection with supplementary pension arrangements.

The significant actuarial assumptions adopted to determine the expense for the Museum's benefit plans are as follows:

	Pension		Non-pension	
	2015	2014	2015	2014
Discount rate	6.21%	6.21%	3.80%	3.50%
Expected long-term rate of return on plan assets	6.25%	6.25%	–	–
Rate of compensation increase	2.00%	2.00%	–	–

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

4. Employee benefits (continued):

The significant actuarial assumptions adopted in measuring the accrued benefit assets and liabilities of the Museum's benefit plans are as follows:

	Pension		Non-pension	
	2015	2014	2015	2014
Discount rate	5.70%	6.21%	2.80%	3.80%
Rate of compensation increase	2.00%	2.00%	–	–

For measurement purposes as at March 31, 2015, an initial weighted average increase in the cost of health care and dental benefits of 5.63% in 2015 was assumed decreasing to a 4.50% annual rate of increase after 2028.

Other information about the Museum's pension and non-pension plans is as follows:

	Pension		Non-pension	
	2015	2014	2015	2014
Employee contributions	$ 1,268	$ 840	$ –	$ –
Employer contributions	2,284	3,137	158	143
Benefits paid	4,573	5,160	158	143

The Museum contributes to a multi-employer pension plan. The Museum's contributions to the multi-employer pension plan for the year ended March 31, 2015 were $21 (2014 - $20).

The Museum's 2014 and 2015 contributions to date were made in accordance with the January 1, 2014 actuarial valuation report for funding purposes. The next actuarial valuation for funding purposes will be as at January 1, 2017 which must be filed by December 31, 2017. The measurement date for the benefits plans was March 31, 2015.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

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5. **Capital assets:**

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land	$ 931	$ –	$ 931	$ 931
Building	41,476	34,976	6,500	7,540
Galleries	17,540	17,036	504	940
Building improvements	32,607	20,254	12,353	12,546
ROM Project:				
Building	205,064	43,492	161,572	167,122
Galleries	64,946	23,462	41,484	44,593
Furniture and equipment	7,185	3,591	3,594	3,837
	$ 369,749	$ 142,811	$ 226,938	$ 237,509

As at March 31, 2015, the total cost of assets included assets which are under construction. These assets are not in use and to date have not been amortized. The cost of these assets is $786 (2014 - $1,873).

6. **Credit facilities:**

(a) The Museum has a credit agreement with the Museum's banker, as follows:

(i) $5,000 demand revolving operating credit facility with interest payable at prime less 10 basis points (2015 - 2.75%; 2014 - 2.90%). As at March 31, 2015, the outstanding balance in connection with this facility was $1,276 (2014 - $4,396).

(ii) $2,000 letter of credit facility. As at March 31, 2015 and 2014, the Museum had no letters of credit outstanding.

(b) On June 29, 2011, the Museum and the Ontario Financing Authority ("OFA") executed an amended agreement that includes a revised payment schedule through March 31, 2027. Under the terms of the agreement, the loan consists of fixed rate and floating rate portions. There is an option, whereby the Museum can elect to convert the fixed rate portion payable to the floating portion. At March 31, 2015, the Museum elected not to convert any of the fixed portion to the floating portion (2014 - $2,663). The fixed rate portion bears an interest rate of 5.04% with minimum payments as follows:

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

6. Credit facilities (continued):

The minimum payments are due as follows:

2016	$ 1,004
2017	446
2018	446
2019	446
2020	446
Thereafter	894

The floating rate portion of $29,663 bears interest at the Province of Ontario's one-year cost of funds plus 150 basis points, reset annually. The floating rate for 2014 - 2015 was set at 2.54% and the floating rate for 2015 - 2016 has been set as 2.2%. Under the terms of the facility, there is no minimum payment requirement providing the facility is fully paid by March 31, 2027.

The credit agreement includes covenants which must be met by the Museum and, if not met, the OFA has the right to demand repayment of the outstanding balance.

The fair value of the fixed rate portion approximates its carrying value due to the fact that interest rate on the credit agreement represents the interest rate that is currently available to the Museum. As at March 31, 2015, the fair value of the fixed rate debt was $3,682.

The fair value of the floating rate portion is comparable to the carrying value as the rate fluctuates with current market rates.

(c) As collateral for the credit facilities, the Foundation has provided an undertaking to transfer all of its unrestricted donations to the Museum under certain circumstances. In addition, the Museum has assigned all payments from the Foundation restricted for the financing of the ROM Project.

7. Deferred contributions:

Deferred contributions represent grants from federal and provincial governments, corporations and The Royal Ontario Museum Foundation (the "Foundation") (note 3) related primarily to this year's operations. Grants which carry restrictions are deferred until spent on the intended purpose.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets and gallery development. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2015	2014
Balance, beginning of year	$ 199,686	$ 204,213
Amortization of deferred capital contributions	(11,903)	(11,471)
Contributions received for capital asset purchases (notes 3 and 5)	9,511	6,944
Balance, end of year	$ 197,294	$ 199,686

9. Grants:

	2015	2014
Province of Ontario:		
Operating	$ 27,486	$ 27,377
Other	–	(12)
Government of Canada	40	121
Foundation (note 3)	5,864	5,850
	$ 33,390	$ 33,336

10. Expenses:

Expenses are reported in the statement of operations on a functional basis. Expenses by category are as follows:

	2015	2014
Salaries and benefits	$ 30,177	$ 28,846
Purchased goods and services	23,672	23,896
Amortization of capital assets	12,626	12,261
Gifts-in-kind	782	1,159
	$ 67,257	$ 66,162

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

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11. Artifacts and specimens:

As at March 31, 2015, the collection consisted of approximately 6,000,000 artifacts and specimens. During the year ended March 31, 2015, the Museum accessioned approximately 5,800 (2014 - 6,536) objects to its collections through the donation and purchase of artifacts.

12. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Museum is exposed to credit risk with respect to other accounts receivable. However, it does not expect counterparties to fail to meet their obligations given their high credit rating. There have been no significant changes to the credit risk exposure from 2014.

(b) Liquidity risk:

Liquidity risk is the risk that the Museum will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Museum manages its liquidity risk by monitoring its operating requirements. The Museum prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The contractual maturities of long-term debt are disclosed in note 6. There have been no significant changes to the liquidity risk exposure from 2014.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Museum's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

The Museum is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates with respect to contractual obligations payable in foreign currencies.

THE ROYAL ONTARIO MUSEUM

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 2015

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12. Financial risks (continued):

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. Financial assets and financial liabilities with variable interest rates expose the Museum to cash flow interest rate risk. The Museum is exposed to this risk through its interest-bearing long-term debt, which has fixed and floating rate portions. The Museum mitigates interest rate risk by entering into derivative financial instruments from time to time, as well as by holding primarily debt issued by the financial institutions. There has been no change to the interest rate risk exposure from 2014.

13. Commitments:

The Museum's future commitments under long-term leases for equipment are as follows:

2016	$ 266
2017	260
2018	254

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Management's Report

Management's Responsibility for the Financial Statements

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews and approves external audited financial statements on an annual basis.

The external auditors, Grant Thornton LLP, conduct an independent examination in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Toronto Organizing Committee for the 2015 Pan American and Parapan American Games and meet when required.

On behalf of the Board

Director Director

Grant Thornton

Independent auditor's report

Grant Thornton LLP
Royal Bank Plaza
19th Floor, South Tower
200 Bay Street, Box 55
Toronto, ON M5J 2P9

T +1 416 366 0100
F +1 416 360 4949
www.GrantThornton.ca

To the Audit Committee of the
Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

We have audited the accompanying financial statements of the Toronto Organizing Committee for the 2015 Pan American and Parapan American Games ("Toronto 2015"), which comprise the statement of financial position as at March 31, 2015, and the statement of activities and changes in net assets, remeasurement gains and cash flows for the year ended March 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the [illegible] financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto 2015 as at March 31, 2015, and the results of its activities and its cash flows for the year ended March 31, 2015 in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

Grant Thornton LLP

Toronto, Canada
June 24, 2015

Chartered accountants
Licensed Public Accountants

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Statement of Financial Position

(In thousands of dollars)
March 31, 2015

	Operating Fund		Venue Development Fund		Total	
	2015	2014	**2015**	2014	**2015**	2014
Assets						
Current						
Cash and cash equivalents	$ **138,720**	$ 16,218	$ **94,885**	$ 43,464	$ **233,605**	$ 59,682
Contributions receivable						
- Government of Canada	-	-	-	77,966	-	77,966
- Province of Ontario	-	2,208	-	-	-	2,208
- Municipalities	-	-	**56,502**	76,189	**56,502**	76,189
Other receivables	**13,724**	2,788	**263**	783	**13,617**	3,571
Prepaid expenses and other assets	**17,404**	2,807	-	-	**17,404**	2,807
Inter fund receivable/(payable)	**2,155**	565	**(2,155)**	(565)	-	-
	$ **171,013**	$ 24,586	$ **169,565**	$ 197,817	$ **320,580**	$ 222,403
Liabilities and net assets						
Current						
Accounts payable and accrued liabilities	$ **67,650**	$ 18,695	$ **104,662**	$ 171,710	$ **152,880**	$ 190,405
Deferred contribution						
- Government of Canada	-	-	**64,594**	25,941	**64,594**	25,941
- Province of Ontario	**63,270**	-	-	-	**63,270**	-
Deferred revenue (Note 3)	**25,688**	3,544	-	-	**25,688**	3,544
Accrued employee completion incentive (Note 4)	**3,640**	1,731	**92**	166	**3,732**	1,897
	170,108	23,970	**169,565**	197,817	**319,771**	221,787
Net assets - operating and venue	-	-	-	-	-	-
Accumulated remeasurement gains	**627**	616	-	-	**627**	616
Total net assets - operating and venue	**627**	616	-	-	**627**	616
	$ **171,013**	$ 24,586	$ **169,565**	$ 197,817	$ **320,580**	$ 222,403

Commitments and contingencies (Note 8)

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games
Statement of Activities and Changes in Net Assets

(In thousands of dollars)
For the Year Ending March 31, 2015

	Operating Fund		Venue Development Fund		Total	
	2015	2014	**2015**	2014	**2015**	2014
Revenue						
Contributions						
- Government of Canada	$ -	$ -	$ **158,144**	$ 138,191	$ **158,144**	$ 138,191
- Province of Ontario (Note 7)	**117,156**	53,683	-	-	**117,155**	53,683
- Municipalities	-	-	**73,532**	120,389	**73,532**	120,389
Sponsorship revenue (Note 5)	**37,587**	15,103	-	-	**37,587**	15,103
Licensing and merchandising revenue	**189**	29	-	-	**189**	29
Realized gains/(losses) on foreign exchange	**(143)**	32	-	-	**(143)**	32
Interest and sundry revenue	**949**	156	**628**	378	**1,577**	534
Sale of assets	**31**	-	-	-	**31**	-
Total revenues	**155,769**	69,003	**232,304**	258,958	**388,073**	327,961
Expenses						
New builds		-	**134,440**	234,568	**134,440**	234,568
Renovations		-	**29,202**	23,560	**29,202**	23,560
Other projects		-	**3,662**	830	**3,662**	830
Legacy fund (Note 8)	**5,000**	-	**65,000**	-	**70,000**	-
Marketing and ceremonies	**43,424**	19,042	-	-	**43,424**	19,042
Sport, venue management and overlay	**34,291**	7,829	-	-	**34,291**	7,829
Technology	**25,415**	10,758	-	-	**25,415**	10,758
Games services	**19,646**	6,457	-	-	**19,646**	6,457
Corporate	**15,644**	10,620	-	-	**15,644**	10,620
Administrative services	**12,426**	6,826	-	-	**12,426**	6,826
Essential services	**(77)**	7,471	-	-	**(77)**	7,471
Total expenses	**155,769**	69,003	**232,304**	258,958	**388,073**	327,961
Excess of revenue over expenses	-	-	-	-	-	-
Net assets – operating and venue, beginning of year	-	-	-	-	-	-
Net assets – operating and venue, end of year	$ -	$ -	$ -	$ -	$ -	$ -

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games
Statements of Remeasurement Gains

(In thousands of dollars)

For the Year Ending March 31,	2015	2014
Accumulated remeasurement gains, beginning of year	$ 616	$ -
Unrealized gains attributable to foreign currency translation	212	616
Accumulated remeasurement gains, end of year	$ 827	$ 616

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games
Statement of Cash Flows

(In thousands of dollars)

March 31,	2015	2014
Increase (decrease) in cash		
Cash received:		
Contributions		
- Government of Canada	$ 189,763	$ 124,242
- Province of Ontario	212,640	44,093
- Municipalities	112,311	85,458
Interest and sundry revenue	1,157	497
Sponsorship and broadcast revenues	14,661	6,295
Licensing & merchandising revenues	585	-
Deferred revenue - ticketing	13,893	-
Partner accommodations	2,448	-
	547,458	260,585
Cash paid:		
Pan American Sports Organization	-	3,412
Salaries, wages and benefits	47,837	27,094
Suppliers of professional services	8,515	5,425
Other suppliers	55,999	5,698
Venue owners	261,184	185,296
	373,535	226,925
Increase in cash and cash equivalents	173,923	33,660
Cash and cash equivalents, beginning of year	59,662	26,002
Cash and cash equivalents, end of year	$ 233,585	$ 59,662

See accompanying notes to the financial statements.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2015

1. Organization

On November 6th 2009, the City of Toronto, Ontario ("ON"), Canada, was awarded the right to host the 2015 Pan American and ParaPan American Games (the "Games") by the Pan American Sports Organization ("PASO") based in part upon the efforts of the Toronto 2015 Bid Corporation ("BIDCO"). The Games will be staged in Toronto and the Greater Golden Horseshoe Area from July 10th to July 26th, 2015 and August 7th to August 15th 2015 respectively.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games ("TO2015") was incorporated by Letters Patent pursuant to the Corporations Act (Ontario) on January 21, 2010 and is a corporation without share capital. TO2015 is exempt from income taxes under the Income Tax Act (Canada).

TO2015 is governed by a Board of Directors consisting of twelve members. Three of these members are appointed by the Government of Canada; three are appointed by the Province of Ontario; one is appointed by the City of Toronto; four are appointed by the Canadian Olympic Committee ("COC"), and one by the Canadian Paralympic Committee ("CPC").

TO2015's primary purpose is to plan, organize, finance, promote and stage the Games. The Multi-Party agreement (MPA) which is between the Government of Canada, the Province of Ontario, the City of Toronto, the COC, the CPC, and TO2015, outlines the rights and obligations of each party to the agreement with respect to the funding and staging of the Games. TO2015 will execute its purpose through the terms of the following key agreements:

- The Host City agreement establishes the rights and obligations of PASO, COC and TO2015.
- The Joint Marketing Programme Agreement, between the COC, the Province of Ontario and TO2015 establishes the rights and obligations pertaining to marketing and sponsorship activities.
- The 2015 Pan Parapan American Games Ontario Support Agreement between the Province of Ontario, the City of Toronto and TO2015 establishes the rights and obligations pertaining to operational funding.
- The Transfer Payment Agreement ("TPA") between the Province of Ontario and TO2015 establishes the rights and obligations pertaining to the Operating Fund.
- The Hosting Program Contribution Agreement between the Government of Canada and TO2015 establishes the rights and obligations pertaining to the Venue Development Fund.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2015

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared by management in Canadian dollars in accordance with Canadian public sector accounting standards for government not-for-profit organizations ("PSAS for NPOs"), which includes the 4200 series of not-for-profit accounting standards, as issued by the Canadian Public Sector Accounting Board ("PSAB").

Use of estimates

The preparation of TO2015's financial statements, in accordance with PSAS for NPOs, requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management are the assessment of fair value of value-in-kind goods and services received and the probability of achievement of organizational performance goals related to the employee completion incentive. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of less than one year. TO2015 does not have any bank borrowings.

Fund accounting and contribution revenue recognition

The financial statements have been prepared in accordance with the principles of fund accounting using the deferral method of accounting for contributions. The accounts are classified into the following two funds:

Venue development fund

TO2015's responsibility is to ensure that the Pan American and Parapan American venues ("Games Venues") are available and meet specified standards for use during the Games. TO2015 has entered into various agreements regarding the development and use of the required Games Venues. TO2015 has no ownership interest in these Games Venues.

The Venue Development Fund also includes the Federal Government's contribution to the Legacy Fund (note 8).

The Venue Development Fund is established to record the receipt and use of resources that are designated for the development of the Games Venues. Infrastructure Ontario requested that TO2015 provide a single point of payment for Games related municipal capital improvements. Consequently this Fund also includes amounts provided by municipalities for subsequent remittance by TO2015 to Infrastructure Ontario on behalf of these municipalities.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games
Notes to the financial statements
(In thousands of dollars)
March 31, 2015

2. Summary of significant accounting policies (continued)

Venue development fund (continued)

Contributions related to venue development activities are restricted and are recognized in the period they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. These restricted contributions are recognized as a deferred contribution until the related expenditure is incurred, upon which, it is recognized as revenue in the period.

Operating fund

Revenues and expenses of TO2015 not related to venue development activity are recorded in the Operating Fund.

Unrestricted contributions are recognized as revenue in the period that they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions related to operating activities are recognized in the period that they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. These restricted contributions are recognized as a deferred contribution until the related expenditure is incurred, upon which, it is recognized as revenue in the period.

Interest revenue is recognized in the period earned.

Direct sponsorship revenue

Direct sponsorship revenue is cash received by TO2015 under domestic sponsorship arrangements in exchange for value awarded to a sponsor (e.g. venue naming rights, brand partnering). Management has assumed that value provided in exchange for cash is awarded over the term of the contract. Therefore, revenue recognition of cash sponsorship is spread evenly over the term of the contract to match the value provided, when the amounts can be reasonably estimated and collection is reasonably assured.

Licensing and merchandising revenue

TO2015 enters into licensing arrangements for the supply and sale of licensed merchandise bearing Toronto 2015 and Pan American and Parapan American marks in exchange for royalties on merchandise sold. TO2015 recognizes licensing revenue upon sale of the merchandise.

Broadcast revenue

Revenue from the sale of Broadcast rights is recognized at the time the Games occur. Revenue collected in advance of the event is recorded as deferred revenue.

Ticket revenue

Revenue from the Organization's ticket sales is recognized when the ticketed events occur. Revenue collected in advance of the event is recorded as deferred revenue until the event occurs.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2015

2. Summary of significant accounting policies (continued)

Value in Kind ("VIK") goods and services

VIK goods and services are received by TO2015 under international or domestic sponsorship arrangements or are donated to TO2015 for no consideration. They are recognized in the financial statements when the goods and services are consumed by TO2015 in the normal course of operations and would otherwise have been purchased, and when a fair value can be reasonably estimated. VIK is recorded at fair market value.

Employee completion incentive plan

TO2015 established an Employee Completion Incentive Plan ("Completion Incentive" or "CIP") to support the retention of eligible employees through to the end of the term of their employment agreements and reward achievement of organizational performance results. The employee completion incentive payable is accrued over the period of service provided by the employee and is calculated using an actuarial cost method which includes management's best estimate of salary escalation, employee turnover, discount rates and the attainment of organizational performance goals. Any actuarial gains and losses are amortized over the estimated average remaining service life of the employee group.

TO2015 has accrued the portion of the CIP that is attributable to the retention of employment to the end of the Games, as well as a portion of the CIP representing partial achievement of the organizational goals, where the probability of achievement was determinable as of March 31, 2015. Refer to Note 4 for accruals made in relation to the CIP.

Financial instruments

The Organization's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

At each reporting date, the TO2015 measures its financial assets and liabilities at cost or amortized cost. The Organization uses the effective interest rate method to amortize any premiums, discounts, transaction fees and financing fees to the statement of activities. The financial instruments measured at amortized cost are cash and cash equivalents, contributions receivable, other receivables, accounts payable and accrued employee completion incentive. The Organization regularly assesses whether there is any objective evidence of impairment of its financial assets, and records any impairment required.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2015

2. Summary of significant accounting policies (continued)

Foreign currency translations

At the transaction date, each asset, liability and amount reported in the statement of activities arising from a foreign currency transaction is translated into Canadian dollars by applying the exchange rate in effect at that date. Prior to settlement, monetary assets and liabilities and non-monetary financial instruments in the fair value category that are denominated in foreign currencies are translated into Canadian dollars on the balance sheet date at the exchange rate in effect at that date, and the resulting foreign exchange gains and losses are recorded in the statement of remeasurement gains and losses. In the period of settlement, the cumulative amount of remeasurement gains and losses related to the item are reversed in the statement of remeasurement gains and losses and an exchange gain or loss is recognized in the statement of activities.

3. Deferred revenue

Deferred revenue is comprised of unearned sponsorship, broadcast, licensing, and ticketing revenue.

	Year ended March 31, 2015	Year ended March 31, 2014
Balance, beginning of the year	$ 3,544	$ 2,034
Received during the year	32,331	7,360
Less: amount recognized in revenue in the year	(10,269)	(5,850)
Balance, end of the year	$ 25,606	$ 3,544

4. Accrued employee completion incentive

TO2015 has accrued the portion of the CIP that is attributable to the retention of employment to the end of the Games. TO2015 has also accrued a portion of the CIP liability representing partial achievement of the organizational goals.

	Year ended March 31, 2015	Year ended March 31, 2014
Accrued Completion Incentive Plan- Retention portion	$ 2,586	$ 1,897
Accrued Completion Incentive Plan- Performance portion	1,147	-
Accrued benefit liability, end of period	$ 3,733	$ 1,897

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games
Notes to the financial statements
(In thousands of dollars)
March 31, 2015

4. Accrued employee completion incentive (continued)

The significant actuarial assumptions adopted in measuring TO2015's accrued benefit obligation for the current period are as follows:

	Year ended March 31, 2015	Year ended March 31, 2014
Discount rate	**1.98%**	1.99%
Rate of compensation increase	**0%**	0%

Other information about the CIP is as follows:

	Year ended March 31, 2015	Year ended March 31, 2014
Current period benefit cost	**$ 1,922**	$ 366
Benefits paid during the periods	**-**	-

As the probability of achievement of certain organizational goals was indeterminable as at March 31, 2015, TO2015 has not accrued a segment of the CIP. The maximum potential liability of the organizational performance portion of the CIP which has not been accrued is $1.1M (2014 - $3.0M). This amount will become payable if TO2015 meets the outstanding organizational performance goals for the Games. This determination will depend on TO2015 results to March 31, 2016.

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5. Sponsorship revenue

As of March 31, 2015, TO2015 has entered into definitive sponsorship agreements with seventy-four sponsors with a total contract value of $165,152.

During the year, $9,651 (2014 - $6,106) in direct (cash) sponsorship was received. The sponsorship revenue recognized during the periods presented is as follows:

	2015	2014
Direct (cash) sponsorship	**$ 9,651**	$ 6,106
VIK	**27,946**	8,997
Total sponsorship revenue	**$ 37,597**	$ 15,103

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2015

6. Credit facility

TO2015 has a line of credit facility in place with the Ontario Infrastructure Projects Corporation ("OIPC") to provide working capital and for general operating requirements. The maximum available credit under the facility is $10 million. The term of the facility is for one year from March 17, 2012 with automatic annual renewal up to December 31, 2015. The rate of interest is variable as determined on a monthly basis by OIPC. The facility is unsecured except that the Minister of Finance may deduct from any monies owing to TO2015 any amounts that TO2015 fails to repay to OIPC.

The facility has not been drawn on during the fiscal year.

7. Related party transactions

During the year, TO2015 recognized as revenue on the Statement of Activities and Changes in Net Assets $117,155 (2014 - $53,683) in contributions from the Province of Ontario provided to fund operational expenses to plan and execute the Games.

During the year, TO2015 incurred $Nil (2014 - $5,289) in security services provided by the Integrated Security Unit, this organization is controlled by the Province of Ontario. These expenses are included in Essential Services on the Statement of Activities and Changes in Net Assets.

During the year, TO2015 disbursed $333,442 (2014 – $119,460) for construction costs related to the Venue Development to Infrastructure Ontario, who are the project managers for the Games large venues. Infrastructure Ontario is an entity controlled by the Province of Ontario. These costs are included in New builds and Renovations on the Statement of Activities and Changes in Net Assets.

8. Commitments and contingencies

PASO Commitment
Pursuant to the Host City Agreement ("Agreement") with PASO, TO2015 is required to pay US$20,000 in six equal installments on April 30 of each year in exchange for all rights with respect to the marketing and domestic broadcasting and ticket sales program related to the Games.

The Agreement outlines other requirements and payments that TO2015 will be responsible for including expense reimbursements for costs incurred by PASO officials for the Games and the portion of the ticket sale revenue from the Games.

During the period, TO2015 accrued $3,747 (US$3,333) (cumulative period from January 21, 2010 (incorporation) to March 31, 2015 $17,319) to PASO as part of the Agreement. This amount represents the fifth installment of the US$20,000 commitment.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2015

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8. Commitments and contingencies (continued)

Legacy Fund commitment
The Legacy Fund, in the Statement of Activities and Changes in Net Assets, is related to a commitment from both the Provincial and Federal Government to the Toronto Community Foundation that helps to support the legacy of sports and athletes in Canada. During the year, the full amount of the commitment of $70 million was received from the Provincial and Federal Governments and has been paid to the Toronto Community Foundation.

Operating lease commitment
Future minimum annual obligations under the premises and equipment lease (excluding operating costs) at 25 Dockside Drive, Toronto to December 31, 2015 are estimated as follows:

2016	$ 2,094

Other operating and venue development commitments
TO2015 has entered into various contracts for goods and services related to the planning and staging of the Games and for the development of venue sites during the Games. As of March 31, 2015, TO2015 has outstanding commitments related to the Operating fund of approximately $30,762, and $49,946 related to the Venue Development Fund. These commitments will be disbursed at various times leading up to the Games.

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9. Financial Instruments

TO2015 established a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The risks that arise from its financial instruments include credit, liquidity, market and foreign currency.

- Credit Risk

  Credit risk is the risk that one party to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. TO2015 is exposed to credit risk in the event of the non-performance by counterparties in connection with its contributions receivable from the Government of Canada, Province of Ontario, municipalities and sponsors. Given the sources of these receivables, it is management's opinion that it is not exposed to significant credit risk from these contributions receivable.

- Liquidity Risk

  Liquidity risk is the risk that TO2015 may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. Management mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting analysis. As at March 31, 2015, all accounts payable balances were aged within six months due.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games

Notes to the financial statements

(In thousands of dollars)
March 31, 2015

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9. Financial Instruments (continued)

- Market and Foreign Currency Risk

Market risk is the risk that changes in market interest rates, foreign currency values or other changes in market prices will affect the value of the financial instruments or their related cash flows. TO2015 is exposed to foreign currency risk with respect to its commitment to pay PASO as the commitment is denominated in US dollars, and to Atos (a premier partner of the Games) as this commitment is denominated in Euros.

As at March 31, 2015, cash and accounts payable of $3,578 and $3,370 respectively are denominated in US dollars, and €4,116 and €2,035 respectively are denominated in Euros.

The impact of a change in value of these currencies is as follows:

Currency	Fair Value	2.5% Decrease	1.0% Decrease	1.0% Increase	2.5% Increase
US Dollar					
Cash	$ 4,532	$ 4,418	$ 4,486	$ 4,577	$ 4,645
Accounts Payable	4,269	4,163	4,227	4,312	4,376
Euro					
Cash	$ 5,608	$ 5,467	$ 5,552	$ 5,664	$ 5,748
Accounts Payable	2,773	2,704	2,745	2,801	2,843

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10. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

Toronto Organizing Committee for the 2015 Pan American and Parapan American Games
Supplemental Schedule
Statement of Activities – Inception to date
(in thousands of dollars)
For the Period Ending March 31, 2015

	Inception to date (March 31, 2015)		
	Operating Fund	Venue Development Fund	Total
Revenue			
Contribution			
- Government of Canada	$ -	$ 364,086	$ 364,086
- Province of Ontario	220,957	-	220,957
- Municipalities	-	254,116	254,116
Sponsorship revenue	60,338	-	60,338
Licensing and merchandising revenue	208	-	208
Realized losses on foreign exchange	(143)	-	(143)
Interest income	1,267	1,012	2,279
Sale of assets	31	-	31
Total revenues	282,658	619,214	901,872
Expenses			
New builds	-	481,717	481,717
Renovations	-	66,427	66,427
Other projects	-	6,070	6,070
Marketing and ceremonies	80,467	-	80,467
Sport and venue management overlay	44,354	-	44,354
Games services	28,048	-	28,048
Corporate	50,229	-	50,229
Technology	38,112	-	38,112
Administrative services	26,987	-	26,987
Essential services	9,479	-	9,479
Legacy Fund	5,000	65,000	70,000
Total expenses	282,658	619,214	901,872
Excess of revenue over expenses	$ -	$ -	$ -

Toronto Waterfront Revitalization Corporation

Management's Responsibility for the Financial Statements

June 24, 2015

The integrity and objectivity of the accompanying financial statements of the Toronto Waterfront Revitalization Corporation ("the Corporation") is the responsibility of management. These financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Chartered Professional Accountants of Canada (CPA Canada). Significant accounting policies of the Corporation are described in Note 2 to financial statements.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements.

Management meets with the external auditors, the Finance, Audit and Risk Management Committee and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, the independent external auditors appointed by the Board of Directors. The accompanying Independent Auditor's Report outlines Management's responsibilities, the auditor's responsibilities, the scope of its examination and its opinion on the Corporation's financial statements.

President and CEO

Chief Financial Officer

Tel: 905 270-7700
Fax: 905 270-7915
Toll-free: 866 248 6660
www.bdo.ca

BDO Canada LLP
1 City Centre Drive, Suite 1700
Mississauga ON L5B 1M2 Canada

Independent Auditor's Report

To the Board of Directors of
Toronto Waterfront Revitalization Corporation

We have audited the accompanying financial statements of Toronto Waterfront Revitalization Corporation, which comprise the statement of financial position as at March 31, 2015, and the statements of financial activities, remeasurement gains and losses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Toronto Waterfront Revitalization Corporation as at March 31, 2015, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Mississauga, Ontario
June 24, 2015

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Toronto Waterfront Revitalization Corporation

Statement of financial position

as at March 31, 2015

	March 31, 2015	March 31, 2014
	$	$
Assets		
Current assets		
Cash	**8,810,690**	8,673,954
Short-term investments	**46,087,847**	63,817,965
Receivables (Note 3)	**23,653,033**	889,461
Deposits, prepaid expenses, rent receivable and other assets (Note 4)	**9,441,035**	10,024,704
	87,992,605	83,406,084
Restricted cash (Note 5)	**11,755,821**	7,385,064
Assets under development (Note 6)	**391,734,680**	297,723,741
Capital assets (Note 7)	**106,119,033**	112,652,795
Other assets (Note 8)	**8,369,275**	389,673
	605,971,414	501,557,357
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 9)	**31,130,219**	17,911,692
Deferred contributions and grants (Note 10)	**50,608,189**	74,061,090
Other liabilities and settlements (Note 11)	**257,574**	257,574
	81,995,982	92,230,356
Other liabilities and settlements (Note 11)	**2,544,981**	2,527,204
	84,540,963	94,757,560
Net assets (Note 12)	**521,430,451**	406,799,797
	605,971,414	501,557,357

The accompanying notes are an integral part of the financial statements.

Approved on behalf of Board:

Director

Director

Toronto Waterfront Revitalization Corporation

Statement of financial activities

year ended March 31, 2015

	March 31, 2015	March 31, 2014
	$	$
Revenue		
Province of Ontario	**9,979,800**	58,911,600
City of Toronto	**63,679,947**	57,893,132
Other restricted contributions	**26,039,225**	3,701,380
	99,698,972	120,506,112
Less: Government contributions for land and/or assets under development	**(94,010,939)**	(60,747,047)
Decrease/(increase) in deferred contributions for continuing operations related to future periods	**23,452,901**	(23,535,727)
	29,140,934	36,223,338
Expenses (Note 13)		
Waterfront-Wide Initiatives	**22,535,359**	29,022,637
East Bayfront	**5,926,603**	2,060,532
Port Lands	**2,015,596**	2,740,076
West Don Lands	**827,577**	1,597,764
Central Waterfront	**623,298**	992,733
	31,928,433	36,413,742
Excess of expenses over revenues before other items	**(2,787,499)**	(190,404)
Net other operating income (Note 16)	**3,513,013**	2,210,374
Net gain from the sale of land (Note 17)	**19,917,081**	-
Excess of revenue over expenses	**20,642,595**	2,019,970

The accompanying notes are an integral part of the financial statements.

Toronto Waterfront Revitalization Corporation

Statement of remeasurement gains and losses

year ended March 31, 2015

	March 31, 2015	March 31, 2014
	$	$
Accumulated remeasurement gains, beginning of the year	**124,650**	85,955
Unrealized (losses) gains attributable to:		
Short term investments	**(22,880)**	38,695
Net remeasurement (losses) gains for the period	**(22,880)**	38,695
Accumulated remeasurement gains, end of the year	**101,770**	124,650

Statement of changes in net assets

year ended March 31, 2015

	March 31, 2015	March 31, 2014
	$	$
Net assets, beginning of the year	**406,799,797**	343,994,085
Add: Excess of revenue over expenses	**20,642,595**	2,019,970
Less: Unrealized remeasurement (losses) gains	**(22,880)**	38,695
Add: Government contributions for assets under development	**94,010,939**	60,747,047
Net assets, end of the year	**521,430,451**	406,799,797

Toronto Waterfront Revitalization Corporation

Statement of cash flows

year ended March 31, 2015

	March 31, 2015	March 31, 2014
	$	$
Cash flows from operating activities		
Cash received from:		
Government contributions for operating activities	**14,615,617**	71,712,073
Other restricted contributions for operating activities	**22,703,306**	2,174,403
Investment income received for operating activities	**173,105**	239,550
Sales tax rebates	**8,488,576**	6,762,332
	45,980,604	80,888,358
Cash paid for:		
Planning and implementation expenses	**(7,615,781)**	(29,146,773)
Project support expenses	**(7,371,747)**	(7,716,197)
Transfer payments	**(16,087,530)**	(29,618,341)
	(31,075,058)	(66,481,311)
Net cash received from operating activities	**14,905,546**	14,407,047
Cash flows from capital activities		
Cash received from government contributions for assets under development	**59,044,130**	60,747,047
Cash used to acquire capital assets	**(122,296)**	(365,404)
Cash used to acquire assets under development	**(89,218,527)**	(42,287,332)
Net cash (paid for) received from capital activities	**(30,296,693)**	18,094,311
Cash flows from investing activities		
Cash received from short term investments redemption	**40,527,883**	12,569,292
Cash used to purchase additional security investments	**(20,629,243)**	(44,602,360)
Invested in restricted cash	**(4,370,757)**	1,602,330
Net cash received from (paid for) investment activities	**15,527,883**	(30,430,738)
Increase in cash	**136,736**	2,070,620
Cash, beginning of the year	**8,673,954**	6,603,334
Cash, end of the year	**8,810,690**	8,673,954

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2015

1. Description of Corporation

The Toronto Waterfront Revitalization Corporation (the "Corporation" or "TWRC") was initially incorporated on November 1, 2001 under the Ontario Business Corporations Act with the Province of Ontario being its sole shareholder.

Pursuant to the Toronto Waterfront Revitalization Corporation Act, 2002 (the "Act"), the Corporation was continued as a corporation without share capital on May 15, 2003. The Corporation is deemed not to be a Crown Agency within the meaning of the Crown Agency Act.

Under the Act, the Corporation's objects are to:

(a) implement a plan that enhances the economic, social and cultural value of the land in the designated waterfront area and create an accessible and active waterfront for living, working and recreation and to do so in a fiscally and environmentally responsible manner;

(b) ensure that ongoing development in the designated waterfront area can continue in a financially self-sustaining manner;

(c) promote and encourage involvement of the private sector in the development of the designated waterfront area;

(d) encourage public input into the development of the designated waterfront area; and

(e) engage in such other activities as may be prescribed by regulation.

2. Significant accounting policies

(a) *Basis of presentation*

These financial statements have been prepared with Canadian public sector accounting standards for not-for profit organizations including the 4200 series of standards contained in the Chartered Professional Accountants (CPA) handbook.

(b) *Revenue recognition*

The Corporation follows the deferral method of accounting for restricted contributions. Under this method, restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions for which the related restrictions remain unfulfilled are accumulated as deferred contributions.

Contributions used for the purchase of amortized capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Contributions for the purchase of non-amortized capital assets such as land as well as assets under development which will be transferred to government(s) upon completion are recognized as a direct contribution to net assets.

Under the Contribution Agreements, contributions from the Governments can only be applied towards payments of eligible costs in respect of project activities, as defined in the Contribution Agreements. Unrestricted contributions such as other operating items are recognized as revenue in the current period.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2015

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2. Significant accounting policies (con't)

(c) *Financial instruments*

Financial instruments are recorded at cost when acquired, except for contributions that are recorded at fair value. In subsequent periods, investments traded in an active market are reported at fair value, with any unrealized gains and losses reported in the statement of remeasurement gains and losses. All other financial instruments are recorded at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisiton, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability ,either directly (i.e. as prices) or indirectly (i.e derived from prices); and
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Short-term investments consist of guaranteed investment certificates (GICs) and short-term cashable bonds with maturities ranging from November 2015 to September 2017. The GICs are classified as Level 1 in the fair value hierarchy whereby their fair value is based on quoted prices in active markets for identical assets. The cashable bonds are classified as level 2 in the fair value hierarchy whereby their fair value is based on inputs other than quoted prices included in level 1 that are observable for the asset either directly or indirectly. There have been no transfers from Level 1, Level 2 or Level 3.

(d) *Transfer payments and grants*

The Corporation has entered into agreements with third parties who are responsible for managing various projects on Toronto's Waterfront. Expenditures related to these projects are recorded in the statement of financial activities as transfer payments and grants. Under the terms of the agreements the Corporation does not assume ownership or ongoing operational responsibility during development or upon project completion.

(e) *Allocation of general support expenses*

The Corporation incurs a number of general support expenses that are common to the administration of the organization and each of its projects. General support expenses are incurred to support the functional areas of construction/implementation, planning, design and approvals, and project management. The expenses are allocated using a burden rate based on general support expenses as a proportion of direct labour costs.

(f) *Taxes*

The Corporation is exempt from income taxes pursuant to paragraph 149(1) (d.3) of the Income Tax Act (Canada) and is eligible to claim a rebate of approximately 86.5% for HST paid on property and services acquired pursuant to section 123(1)(b) of the Excise Tax Act.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2015

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2. Significant accounting policies (con't)

(g) *Assets under development*

Assets under development represent those investments in assets which the Corporation has been directed to develop under an executed agreement and the Corporation has actual or beneficial ownership during the development stage. Land under this category represents all costs associated with getting a parcel of land site ready for development, including costs associated with contracting with a developer, rezoning, and soil management and treatment.

Upon substantial completion these assets are either transferred to a respective government who assumes ownership and ongoing operational responsibility, transferred to capital assets for those assets the Corporation continues to have actual or beneficial ownership over, or sold to a third party. These assets transferred to a respective government are considered a related party transaction and the difference between cost and proceeds is recorded directly to net assets. Any gain or loss on assets sold to a third party is recorded through the statement of financial activities.

Assets under development are recognized at cost, are not amortized and include both direct project costs as well as overhead costs directly attributable to the asset under development.

(h) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. With the exception of land which is not amortized, capital assets less residual value are amortized on a straight-line basis over their estimated useful lives as follows:

Parking facility	10 years
Leasehold improvements	5 years
Furniture and fixtures	5 years
Computer hardware and software	3 years
Office equipment	5 years

The cost incurred to enhance the service potential of a capital asset, including land, is a betterment and capitalized to the asset. Repairs and maintenance costs are charged to expense.

(i) *Use of estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. The items subject to the most significant estimates are City of Toronto receivable, the amortization of capital assets, accrued liabilities, deferred revenue and accrued benefit liability

3. Receivables

	March 31, 2015	March 31, 2014
	$	$
City of Toronto	**18,425,497**	-
HST receivable	**929,796**	889,461
Other receivables/receivable from sale of land	**4,297,740**	-
	23,653,033	889,461

Contributions receivable primarily consists of amounts receivable from the City of Toronto under delivery agreements entered into for the Waterfront Sanitary Servicing Infrastucture, the Martin Goodman Trail West and East Bayfront Queens Quay Interim Improvements projects. Other receivables primarily relate to the sale of land. These are non-interest bearing and are collectible on March 31, 2016. These are secured by an irrevocable letter of credit.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2015

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4. Deposits, prepaid expenses, rent receivable and other assets

	March 31 201	March 31, 2014
	$	$
Construction deposits	7,932,77	5,851,903
Developer receivables, rent and other	1,064,92	3,731,934
Prepaid expenses	410,87	408,400
Current portion of prepaid expenses and rent receivables (Note 8)	32,46	32,467
	9,441,03	10,024,704

The Corporation has provided the City of Toronto (the "City") and Toronto Hydro with certain construction deposits to guarantee satisfactory performance, completion of work and related obligations required for the construction of municipal and hydro infrastructure by the Corporation. The construction deposits will be released to Waterfront Toronto at the expiration of certain performance and guarantee periods. The construction deposits paid to the City of $2,181,199 (2014 - $2,181,199) are non-interest bearing; and the construction deposits outstanding from Toronto Hydro of 5,751,571 (2014 - $3,670,179) will be returned to TWRC including interest at the Prime Business Rate set by the Bank of Canada less two percent.

5. Restricted cash

The Corporation has $11,755,821 (2014 - $7,385,064) in cash which is subject to restrictions that prevent its use for current purposes. Of this cash balance $7,900,572 forms part of a security fund set up with the City for infrastructure works being completed by the Corporation in West Don Lands. Under the terms of the agreement, TWRC cannot withdraw funds from the security fund without the authorization of the City and the City can only draw on the security fund subject to certain conditions and providing sufficient and appropriate notice to TWRC. Of the remaining balance, $2,435,249 pertains to funds in escrow required to satisfy Waterfront Toronto's future obligations to third-party developers and $1,420,000 relate to funds restricted for the construction of child care facility in East Bayfront.

6. Assets under development

The following table details assets under development by category:

	March 31 201	March 31, 2014
	$	$
Roads, public realm, utilities	326,868,745	239,234,380
Parkland	38,669,694	36,378,635
Land under development	26,196,241	22,110,726
	391,734,680	297,723,741

The following table details assets under development by precinct:

	East Bayfront	Central Waterfront	West Don Lands	Total
	$	$	$	$
Opening balance, March 31, 2014	119,296,099	75,861,552	102,566,090	297,723,741
Capital additions	32,381,076	47,645,830	6,553,764	86,580,670
Direct project management - Note 13	1,924,466	942,434	403,915	3,270,815
General and support expenses - Note 13	2,440,720	1,206,465	512,269	4,159,454
Closing balance, March 31, 2015	**156,042,361**	**125,656,281**	**110,036,038**	**391,734,680**

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2015

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7. Capital assets

	March 31, 2015		March 31, 2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	$	$	$	$
Land	87,305,565	-	92,588,484	-
Parking facility	21,200,570	3,218,766	21,200,570	1,972,319
Computer hardware and software	2,992,309	2,485,193	2,759,757	2,263,850
Leasehold improvements	1,177,570	996,688	1,176,055	894,574
Furniture and fixtures	659,867	655,983	659,867	647,008
Office equipment	438,345	298,562	308,580	262,767
	113,774,225	7,655,192	118,693,313	6,040,518
Cost less accumulated amortization		**106,119,033**		112,652,795

The Corporation owns land containing environmental contamination. The costs associated with the Corporation's environmental remediation, which depends on the ultimate use of the lands, will be recognized in the period when an obligation arises.

The Corporation owns b[illegible]ings on a number of its properties. As none of the buildings are intended for use other than on a temporary rental bas[illegible] will ultimately be demolished, they have been recorded at a carrying value of $nil (2014 - $nil).

8. Other assets

	March 31, 2015	March 31, 2014
	$	$
Prepaid expenses	375,117	360,800
Rent receivable/receivable from sale of land	6,026,625	61,340
	6,401,742	422,140
Less: Current portion (Note 4)	32,467	32,467
	6,369,275	389,673

Receivables from the sale of land represents the long term portion that is collectible in two equal instalments ($4M each on March 31, 2017 and March 31, 2018 respectively and are non-interest bearing). These are secured by an irrevocable letter of credit.

9. Accounts payable and accrued liabilities

	March 31, 2015	March 31, 2014
	$	$
Accrued liabilities	17,552,305	13,016,248
Accounts payable	2,102,839	707,588
Holdbacks payable	11,475,074	4,187,756
	31,130,219	17,911,592

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2015

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10. Deferred contributions and grants

Deferred contributions and grants represent project specific contributions from Governments which have not been applied to eligible costs at March 31, 2015, as well as contributions received for the acquisition of capital assets which have yet to be amortized.

	March 31, 2015	March 31, 2014
	$	$
Expenses of future periods		
Balance, beginning of year	63,767,419	38,306,733
Add: additional contributions	5,326,202	59,981,024
Less: amounts recognized as revenue	(27,528,261)	(34,520,338)
Balance, end of period	41,565,360	63,767,419
Capital contributions		
Balance, beginning of year	10,313,671	12,218,630
Add: contributions for acquisition of capital assets and assets under development	94,374,770	60,540,087
Less: direct contribution to net assets	(94,310,739)	(60,747,087)
Less: amount amortized to revenue	(1,014,873)	(1,697,959)
Balance, end of period	9,362,829	10,313,671
	50,928,189	74,081,090

11. Other liabilities and settlements

Other liabilities and settlements largely represent security and developer deposits.

	March 31, 2015	March 31, 2014
	$	$
Deposits received	2,431,433	2,567,875
Accrued benefit liability	371,122	216,903
Total other liabilities	2,802,555	2,784,778
Less: current portion	257,574	257,574
	2,544,981	2,527,204

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
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12. Net assets

a) Net assets recorded on the Statement of Financial Position are comprised of the following:

	March 31, 2015	March 31, 2014
	$	$
Invested in capital assets (net of deferred capital contributions)	97,098,208	102,338,924
Invested in assets under development	391,759,880	297,723,741
Unrestricted surplus (Note 12b)	35,837,799	8,612,282
Accumulated re-measurement gains	101,779	108,850
	521,810,621	408,783,797

b) Unrestricted surplus

	March 31, 2015	March 31, 2014
	$	$
Unrestricted surplus, opening balance	8,612,282	6,292,312
Transfer from invested in capital assets	6,283,219	-
Excess of revenue over expenses	20,942,298	2,319,970
Unrestricted surplus, closing balance	35,837,799	8,612,282

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
March 31, 2015

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14. Commitments

The Corporation is committed to payments under operating leases for equipment and office space through 2017 in the amount of $471,551. Annual payments are as follows:

2016	**377,988**
2017	**93,563**
	$ 471,551

In addition, the Corporation has other commitments of $66,948,400. These commitments comprise contracts directly entered into by the Corporation, and/or Delivery Agreements with Eligible Recipients who are responsible for managing various projects on Toronto's waterfront.

15. Risk disclosures

Credit risk
Credit risk arises from cash and short term investments held with banks and credit exposure to governments and other debtors, including accounts receivable. The maximum exposure to credit risk is equal to the carrying value (net of allowances) of the financial assets. The objective of managing counterparty credit risk is to prevent losses on financial assets. The Corporation assesses the credit quality of funding partners and debtors, taking into account their financial position, past experience and other factors.

Liquidity risk
Liquidity risk is the risk the Corporation will not be able to meet its financial obligations as they fall due. The Corporation's objective in managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its commitments when due, without incurring unacceptable losses or risking damage to the Corporation's reputation. The Corporation manages exposure to liquidity risk by closely monitoring supplier and other liabilities; by focusing on debtor collection; and by requesting government funding in advance.

Market risk
Market risk is the risk that changes in market prices, such as interest rates, will affect the fair value of recognized assets and liabilities or future cash flows of the Corporation's operations. The Corporation is exposed to changes in interest rates, which may impact interest revenue on short term investments. At March 31, 2015 had prevailing interest rates raised or lowered by 1% with all other variables held constant excess revenues over expenses would have increased or decreased, respectively by $217,778 (2014 - $394,069).

16. Net other operating income

	March 31, 2015	March 31, 2014
	$	$
Rental, parking and other income	**7,698,286**	4,043,461
Less: operating expenses	**(5,425,902)**	(3,408,587)
	2,272,384	634,874
Interest and other income	**1,221,374**	1,575,635
Realized investment gains (losses)	**19,255**	(135)
Net other operating income	**3,513,013**	2,210,374

17. Net gain from sale of land

During the year, the Corporation sold land in East Bayfront to a developer pursuant to a development agreement entered into between the Corporation and the Development partner and the net proceeds on disposal have recognized as revenues through the statement of financial activities.

	March 31, 2015	March 31, 2014
	$	$
Proceeds from sale of land	**25,200,000**	-
Less: Cost of land	**(5,282,919)**	-
	19,917,081	-

18. Compensation of Senior Executive

As of January 1, 2014 the President and CEO's employment contract was replaced with a Consulting Agreement, the rate of which is based on historical compensation and is not anticipated to result in any increased costs to the Corporation. The fees paid and/or accrued (net of recoverable taxes) under this Consulting Agreement for the period April 1, 2014 to March 31, 2015 were $396,777 (Fees $ 389,232, Air fare - $859, Accommodation - $2,428, Other Transportation - $248, Meals & incidentals - $2,527, Professional Development - $1,483) (January 1- March 31, 2014 - $104,864).

19. Comparatives

Certain comparative amounts have been reclassified to conform with the current year's method of presentation.

20. Contingent liabilities

(a) Under the terms and conditions of the Contribution Agreements, the Corporation provides an indemnity to the City, Province of Ontario and Government of Canada and their respective officers, employees and agents, from and against all claims, losses, damages, costs, expenses, actions and other proceedings related to any injury to or death of a person or damage to or loss of property, infringement of rights or any other loss or damages whatsoever arising directly or indirectly from any willful or negligent act, omission or delay on the part of the Corporation, the Corporation's directors, officers, employees, contractors, agents or Third Party Contractors, in carrying out a project or as a result of the project, except to the extent that the injury, loss or damage has been caused by the City, Province of Ontario and/or Government of Canada or their respective officers, employees or agents.

The Corporation requires all Eligible Recipients to indemnify the Corporation from and against liability on the same basis outlined above.

The Corporation requires most third party contractors to indemnify each level of government and the Corporation, its officers, employees and agents against all claims, liabilities and demands with respect to any injury to persons (including death), damage to, loss or destruction of property or infringement of rights caused by or arising directly from:

(i) the breach of any term or condition of the contract by the third party contractor or its officers, employees or agents, or

(ii) any omission or any willful or negligent act of the third party contractor or its officers, employees or agents in relation to the applicable project.

Toronto Waterfront Revitalization Corporation

Notes to the financial statements
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20. Contingent liabilities (cont.)

(b) Under the Delivery Agreement with each Eligible Recipient respectively, the Corporation provides an indemnity to the Eligible Recipient and its respective officers, employees and agents, from and against any claims with respect to direct loss arising from:

(i) any breach by the Corporation of the Delivery Agreement or documents or certificates given pursuant to the Agreement, or
(ii) any negligent or willful acts or omissions of the Corporation, its officers, directors, employees or agents, in relation to the project.

Management attempts to limit the Corporation's exposure under these indemnifications through the purchase of directors and officers insurance, the allocation of risk to Eligible Recipients and contractors (outlined above) and through enforcing the Corporation's and Eligible Recipients' policies and procedures, as well as intense oversight where appropriate.

(c) The Corporation has entered into a number of Development Agreements with third party builders with respect to lands located in the West Don Lands and East Bayfront. Under these agreements, the Corporation has provided the builders certain milestone representations based on specific Corporation development obligations. The representations primarily relate to schedule delays. The maximum potential future liability related to these representations is $7.5 million under one development agreement with one builder and although under the other development agreements the amounts are not determinable, they are limited to the amount up to the respective builder's carrying costs and/or out of pocket expenses incurred on the development. No amount for these representations has been accrued in these financial statements. Management attempts to limit the Corporation's potential exposure under these guarantees through appropriate schedule, cost and scope management practices.

(d) The Corporation has a municipal access agreement with the City of Toronto for the ongoing maintenance and potential removal of district energy pipes in West Don Lands. Management estimates the maximum potential liability to be $1,600,000. These costs are currently unfunded.

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13. Expenses by Precinct and Function

	Waterfront Wide-Initiatives	**East Bayfront**	**Port Lands**	**West Don Lands**	**Central Waterfront**	**Total Mar 31, 2015**
	$	**$**	**$**	**$**	**$**	**$**
Direct project costs:						
Transfer payments and grants	21,469,115	2,244,105	-	-	-	23,713,220
Project planning and implementation costs	549,608	312,303	551,069	527,487	235,271	2,175,738
Amortization	-	1,246,447	-	-	-	1,246,447
Project management - salaries, fees and benefits	227,949	2,863,036	646,176	536,642	1,119,338	5,393,141
Less Project management - salaries, fees and benefits related to assets under development (Note 6)	-	(1,924,466)	-	(403,915)	(942,434)	(3,270,815)
	22,246,672	4,741,425	1,197,245	660,214	412,175	29,257,731
General & support expenses:						
Salaries, fees and benefits	153,376	1,926,400	434,781	361,081	753,149	3,628,787
General and office administration	85,908	1,079,000	243,526	202,246	421,848	2,032,528
Communications, marketing, and government relations	23,458	294,634	66,498	55,226	115,191	555,007
Information Technology	15,744	197,741	44,629	37,064	77,309	372,487
Amortization	10,201	128,123	28,917	24,015	50,091	241,347
	288,687	3,625,898	818,351	679,632	1,417,588	6,830,156
Less general & support costs allocated to assets under development (Note 6)	-	(2,440,720)	-	(512,269)	(1,206,465)	(4,159,454)
	22,535,359	**5,926,603**	**2,015,596**	**827,577**	**623,298**	**31,928,433**

General and support expenses for the year ending March 31, 2015 have been allocated to precincts using an overhead burden rate of 1.27 (2014 -1.07) for every $1 of direct labour (project management - salaries and benefits). Total salaries, fees and benefits for the Corporation were $9,021,928 for the year ending March 31, 2015 (2014 - $9,335,233) comprising direct project management salaries, fees and benefits of $5,393,141 (2014 - $4,561,466) and general support salaries, fees and benefits of $3,628,787 (2014 - $4,773,767).

Waterfront-wide initiatives include Union Station Second Platform, Mimico Park and Port Union Waterfront Park. Port Lands include Tommy Thompson Park and Lower Don Lands.

13 Expenses by Precinct and Function (Cont.)

	Waterfront Wide-Initiatives	**East Bayfront**	**Port Lands**	**West Don Lands**	**Central Waterfront**	**Total Mar 31, 2014**
	$	**$**	**$**	**$**	**$**	**$**
Direct project costs:						
Transfer payments and grants	25,035,943	397,932	-	(558,561)	-	24,875,314
Project planning and implementation costs	2,821,806	-	1,430,177	1,845,733	435,312	6,533,028
Amortization	-	1,245,675	-	-	-	1,245,675
Project management - salaries, fees and benefits	436,617	1,838,658	490,969	638,210	1,157,012	4,561,466
Less Project management - salaries, fees and benefits related to assets under development (Note 6)	-	(1,705,168)	-	(528,860)	(951,285)	(3,185,313)
	28,294,366	1,777,097	1,921,146	1,396,522	641,039	34,030,170
General & support expenses:						
Salaries, fees and benefits	456,938	1,924,233	513,820	667,914	1,210,862	4,773,767
General and office administration	154,002	648,524	173,173	225,107	408,097	1,608,902
Communications, marketing and government relations	64,026	269,623	71,996	93,588	169,666	668,900
Information Technology	21,060	88,686	23,681	30,783	55,807	220,018
Amortization	32,246	135,791	36,260	47,134	85,449	336,879
	728,271	3,066,858	818,930	1,064,526	1,929,881	7,608,466
Less general & support costs allocated to assets under development (Note 6)	-	(2,783,423)	-	(863,284)	(1,578,187)	(5,224,894)
	29,022,637	**2,060,532**	**2,740,076**	**1,597,764**	**992,733**	**36,413,742**